

SMART ABOUT SPENDING



TEACHER'S GUIDE

Photography



University of Mississippi





INTRODUCTION

Acknowledgements

Thanks to the Missouri Council on Economic Education, the Missouri Department of Elementary and Secondary Education (DESE), the Missouri Secretary of State's Office, and the Missouri Attorney General's Office. A special thank you also goes to the National Council for Economic Education, which provided a grant to the Missouri Department of Higher Education to partially fund the production and distribution of this guide.

How to Use This Guide

During Gov. Bob Holden's administration, the DESE was charged with reviewing results reported in "Towards Economic and Financial Literacy: A Final Report (The Study)." This report suggested the following:

- Integration of grade-appropriate principles of economics and personal finance from K-12
- Integration of testing on appropriate areas of economics and personal finance into Measures of Academic Progress testing
- Content for a capstone high school course in which a passing grade shall be achieved
- Establishing appropriate undergraduate preparation requirements for teacher certification

A Personal Finance Advisory Committee was formed. The DESE accepted the recommendations of "The Study," and the committee began to work on the Missouri Personal Finance Standards. The four standards adopted by the committee included: Income, Money Management, Spending & Credit, and Saving & Investing.

The legislation that put all of this into motion began with HB1973, which was first introduced in the Missouri House on Feb. 19, 2002, by Rep. John Bowman (70th District). HB1973 was truly agreed and finally passed on May 5, 2002. HCR24 was introduced by Rep. Bowman and adopted on May 13, 2005.

As a result, the class of 2010 became the first to graduate with the personal finance requirement.

To offer guidance to those educational professionals charged with teaching the personal finance course, the MDHE created this guide to be used in conjunction with the *Smart About Spending* expansion portfolio, which can be ordered free of charge for Missouri students. Lesson plans and worksheets have been created so personal finance teachers can assist their students in making sound financial decisions throughout high school and beyond.

Questions regarding this guide may be directed to Marilyn Landrum (marilyn.landrum@dhe.mo.gov) or Sarah Schedler (sarah.schedler@dhe.mo.gov). Information pertaining to curriculum for Missouri's high school personal finance course is located on the DESE's website (http://dese.mo.gov/divcareered/personal_finance.htm).

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Dear Personal Finance Teachers,

You are about to equip your students with some of the most critical skills they will need to successfully navigate life. Your efforts to teach personal finance will lead to an educated, financially responsible workforce that is essential if the state is to compete in the new global economy.

The current financial crisis is causing a hardship on students and their families throughout the country. The knowledge and skills imparted by this book—income, money management, spending and credit, and saving and investing—are fundamental to the ability of students to enjoy a healthy standard of living throughout their lives.

Money management skills are so important that the state of Missouri passed legislation in 2006 to require students who graduate from high school to have a half credit course in personal finance. A white paper from the U.S. Treasury Department during the same year showed that individuals graduating from high schools in states that require personal finance education have higher savings rates and net worth as a percentage of their earnings than individuals graduating from high schools in states where financial education is not mandated.

The goal of this teacher's edition of *Smart About Spending* is to increase the number of students who are financially savvy, make wise choices about careers and education, and improve their chances of successfully obtaining a postsecondary credential, especially those who have historically been underserved. *Smart About Spending* also provides excellent resources for you and your students. Students learn best when actively engaged in topics that are relevant to their lives. Within these pages you will find activities, links to videos, topics for group discussion and suggestions for field trips and guest speakers, in addition to work sheets and quizzes that will sharpen your students' skills and help them assess their progress in personal finance ability.

As commissioner of higher education, I often travel throughout the state to promote postsecondary education as an investment in human capital. The highest paid workers—aside from celebrity athletes and entertainer—are the knowledge workers who use their brains and skills to adapt to rapidly changing technology and workforce needs. By preparing your students to navigate the world of student loans, live on a budget and save money, you are helping them to build a bridge between high school and their postsecondary future.

Thank you for using *Smart About Spending* to prepare your students to make the most of their financial resources, and best wishes for the coming semester.

Sincerely,

David R. Russell, Ph.D.
Commissioner of Higher Education

MISSOURI COUNCIL

ON ECONOMIC EDUCATION

Dear Personal Finance Teachers,

As educators, you have probably heard students complain that they do not understand how the content they learn in school applies to real life. If that is their concern, then personal finance will be a breath of fresh air because it is a subject that is as practical as it gets. This course helps students to make wise personal life decisions, create budgets, track spending, and save for the future. As a personal finance teacher, you have the opportunity to improve each student's financial behavior for years to come.

This teacher's edition of *Smart About Spending* will be an excellent resource for you to use while teaching personal finance. It is not a text book, but it can serve as your primary teaching resource. It is also an ideal supplemental teaching resource for your class. Best of all, the lessons and activities were written by Missouri educators with the Missouri personal finance competencies in mind.

The Missouri Council on Economic Education aims to support economic and personal finance teachers by providing professional development and access to excellent teaching materials. The *Smart About Spending* teacher's edition will be a great friend to you whether you are a new teacher or a seasoned one.

The U.S. economic system is often described as a competitive marketplace. Good luck during the coming semester as you help students understand the rules of this competition so that they have the opportunity to succeed after high school.

Sincerely,

A handwritten signature in black ink that reads "Mike English". The signature is written in a cursive, flowing style.

Mike English
President & CEO

Missouri Council on Economic Education

Dear Personal Finance Teachers:

Today's classroom has evolved from a primary focus on traditional subjects to equipping students with the knowledge and skills they need to make informed, life-long decisions. Personal finance education has been part of that evolution. From paying for college to planning for retirement, financial choices are among the most important decisions individuals make over the course of their lifetime.

Providing students with money management skills has never been more important. An ever-changing global economy has made financial literacy an increasingly important part of K-12 education. Now more than ever, students must understand that financial decisions have a major impact on their quality of life.

Missouri is one of 24 states that require personal finance education in the classroom. In 2005, the State Board of Education approved an increase in the minimum number of credits required for high school graduation, including a half-unit course in personal finance. By addressing a variety of issues—including budgeting, obtaining credit, saving and investing—personal finance education can provide students with invaluable life skills.

As a former teacher and school administrator, I understand the importance of having quality resources available to help provide students with the knowledge they need. *The Smart About Spending Teacher's Guide* is a resource that can help you engage your class in valuable personal finance lessons.

The success of our state in the future depends on the success of our students now. Thank you for all you do to help your students find success.

Sincerely,



Chris L. Nicastro
Commissioner of Education

SECTION ONE: INCOME



Missouri Personal Finance Competencies covered in this section include:

- Components and sources of income
- Effect of career choice, education, skills, and economic conditions on income and goal attainment
- Relationship of taxes, employee benefits, and other factors to disposable income



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SMART ABOUT SPENDING: ACTIVITY 1.1

Effect of career choice, education, skills, and economic conditions on income and goal attainment

A. Purpose and Description

This lesson was designed to help students realize the economic impact career choice will have on their lives as Missouri citizens. Students will also explore what training or education is needed to accomplish their career and personal goals.

B. Objectives

At the end of this lesson, students will be able to:

1. Locate their chosen profession's regional annual wage
2. Determine what education and/or training is necessary for their chosen profession
3. Evaluate how much income can be acquired within 25 years of employment
4. Explore various career and salary options

C. Required Resources

1. One copy of *Worksheet 1.1.1* (Pages 22-23) for each student
2. Computer lab with Internet access
3. Copies of *Missouri's Top Job Grade charts* (Pages 12-21)

D. Required Class Time

Three (60 minute) class periods

E. Smart About Spending Assignment

Tab 1, Pages 2–3

F. Procedure

(Day 1)

1. Ask students to read their *Smart About Spending* expansion portfolio, Tab 1, Pages 2–3.
2. Ask students to review *Missouri's Top Job Grade* charts.
3. Compare *Missouri's Top Job Grade A and B* charts with the *Top 30 Employing Occupations in Missouri* chart, Tab 1, Page 3 of *Smart About Spending* expansion portfolio.
4. Break the classroom up into groups of three to four students. Instruct each group to discuss the following questions:
 - a. What does this say about the job market?
 - b. Are the salaries higher or lower than expected?
 - c. Does this have an impact on your career choice?
 - d. Why do you think the top 30 employing occupations exist in the order they do?
 - e. What impact, if any, does this have on your plans to attend college?
 - f. What impact, if any, does this have on your plans to move out on your own?
5. As a class, share what students discussed in groups.

SMART ABOUT SPENDING: ACTIVITY 1.1



(Day 2)

6. Ask students to select a profession or career.
7. Distribute a copy of *Worksheet 1.1.1* to each student. Inform students that *Worksheet 1.1.1* will be used over a two-day period to complete activities in this lesson.
8. Go to the computer lab.
9. Log on to **<http://www.missourieconomy.org/OesWage/Default.aspx>**. Have students research their profession's wage based on the area where they live. Advise students to enter the annual wage (mean) for their chosen profession on *Worksheet 1.1.1*.
10. Have students research what education or training is needed for chosen job. Suggest that students log on to **<http://www.bls.gov/search/ooh.htm>**, or interview professionals they may know to complete this task.
11. Have students research how much education or training may cost. If they know what school they are going to attend, have students search the school's website for information regarding annual tuition and fees. If a student does not know what school they will attend, refer them to a local state university or community college website. If they need further guidance, refer students to the Missouri Department of Higher Education's Program Inventory (**<http://highered.mo.gov/ProgramInventory/search.jsp>**).
12. If a student does not have the funds to cover the cost of their education or training, show them how to use Mapping Your Future's online loan calculator (**<http://www.mappingyourfuture.org/paying/standardcalculator.htm>**).

13. Have students complete all exercises on *Worksheet 1.1.1* except for the "REFLECTION."

(Day 3)

14. Group students into similar professions. Advise students to compare and contrast their findings. The group will then present to the class the certificate or degree required, length of program, educational or training expenses, annual salary, and how much they will earn after working in the field 25 years. Groups should also share what exact education or training they will undergo, the names of schools they plan to attend, and why they selected those particular schools.

G. Assessment

1. Ask each student to complete the "REFLECTION" exercise on *Worksheet 1.1.1*.
2. File *Worksheet 1.1.1* behind Tab 1 in the *Smart About Spending* expansion portfolio.



SMART ABOUT SPENDING: GRAPHS 1.1

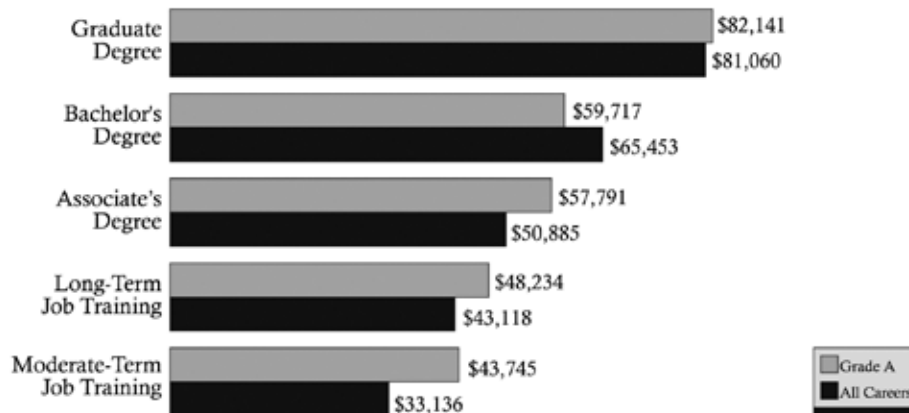
Source: Missouri Economic Research and Information Center • www.missourieconomy.org/pdfs/2008-18_career_grades.pdf

Missouri Career Report 2008-2018

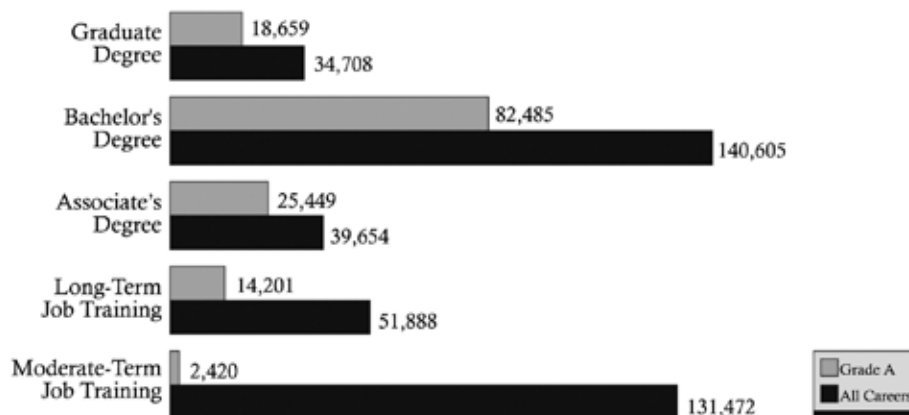
Grade A

Grade A careers have the best outlook with above average growth rates number of openings and average wages compared to all occupations in the state. Nearly 504,000 Missourians were employed in these in 2008, making up 17% of the state's employment. Grade A careers earn higher than average wages regardless of required education and training, with an average of \$59,040 in 2008 compared to the statewide average of \$38,849.

Average Annual Wage for Grade A Careers



Total Openings for Grade A Careers



SMART ABOUT SPENDING: GRAPHS 1.1



Source: Missouri Economic Research and Information Center • www.missourieconomy.org/pdfs/2008-18_career_grades.pdf

Navigating Missouri's Top Jobs-2010

Top Grade A Careers

Grade A occupations that typically require education and training of a bachelor's degree or graduate degree average even higher wages.

In the next ten years, employment in Grade A occupations is projected to increase by 11.4 percent, over triple the state's average growth rate of 3.3 percent.

Top Grade A Occupations

Now	Openings	Average Wage
Dental Assistants	2,019	\$33,100
Locomotive Engineers	401	ND
Next	Openings	Average Wage
Registered Nurses	21,029	\$56,667
Licensed Practical & Licensed Vocational Nurses	7,815	\$34,178
First-Line Supervisors/Managers of Office & Administrative Support	5,946	\$47,297
Police & Sheriff's Patrol Officers	3,890	\$41,148
Sales Representatives, Services, All Other	3,200	\$56,813
Later	Openings	Average Wage
Elementary School Teachers	10,341	\$43,715
Secondary School Teachers	7,972	\$42,765
Accountants & Auditors	7,184	\$58,199
Insurance Sales Agents	5,859	\$54,165
Middle School Teachers	4,700	\$43,418





SMART ABOUT SPENDING: GRAPHS 1.1

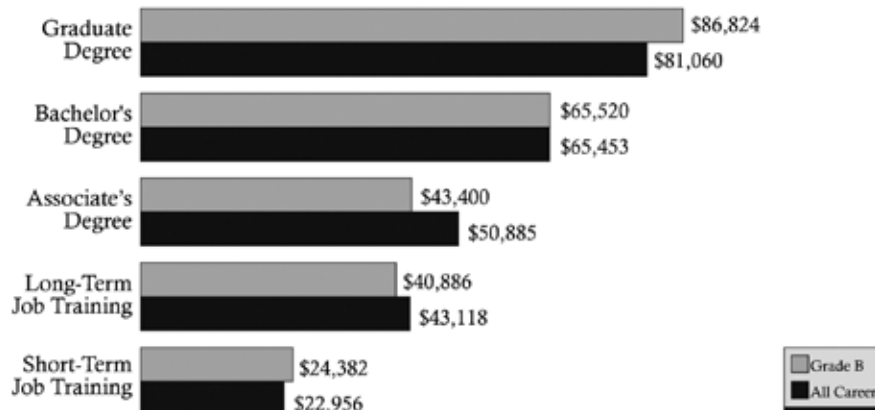
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Missouri Career Report 2008-2018

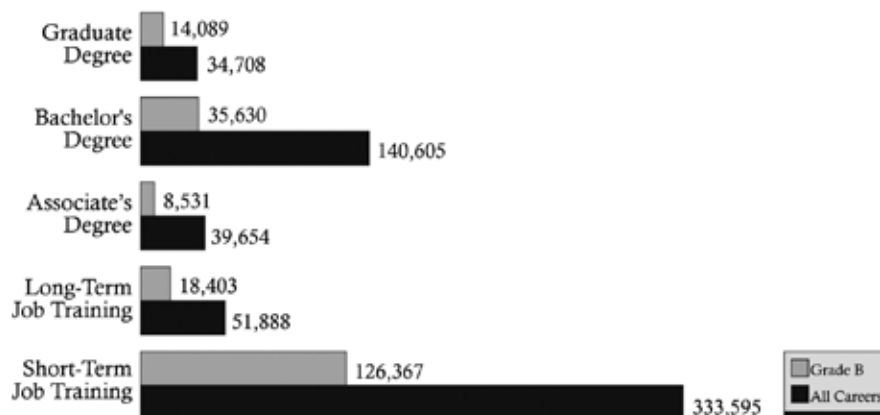
Grade B

Grade B careers have a good outlook compared to all occupations in the state. There were over 1,147,000 Missouri workers in 2008 employed in Grade B careers, making up nearly 40 percent of employment statewide. Overall, Grade B careers pay slightly lower wages than the state average, with Grade B careers paying an average of \$38,614 compared to \$38,849 for all occupations.

Average Annual Wage for Grade B Careers



Total Openings for Grade B Careers



SMART ABOUT SPENDING: GRAPHS 1.1



Source: Missouri Economic Research and Information Center • www.missourieconomy.org/pdfs/2008-18_career_grades.pdf

Navigating Missouri's Top Jobs-2010

Top Grade B Careers

In the next ten years, employment in Grade B occupations is projected to increase by 7 percent, faster than the state's average growth rate of 3.3 percent.

Grade B careers are projected to have more openings from 2008 to 2018 than any other grade category, with close to 319,000 projected openings in these careers.

Top Grade B Occupations

Now	Openings	Average Wage
Retail Salespersons	27,281	\$24,979
Customer Service Representatives	18,469	\$30,986
Office Clerks, General	13,810	\$27,724
Truck Drivers, Heavy & Tractor-Trailer	10,228	\$38,108
Child Care Workers	10,112	\$19,041

Next	Openings	Average Wage
Sales Representatives, Wholesale & Manufacturing	7,889	\$57,744
Nursing Aides, Orderlies, & Attendants	7,768	\$21,661
Cooks, Restaurant	6,552	\$21,307
First-Line Supervisors/Managers of Retail Sales Workers	5,688	\$39,020
Executive Secretaries & Administrative Assistants	4,234	\$41,896

Later	Openings	Average Wage
Teachers & Instructors	4,473	\$29,061
Lawyers	2,153	\$107,784
Management Analysts	1,500	\$71,384
Medical & Public Health Social Workers	1,488	\$40,878
Kindergarten Teachers	1,370	\$42,023





SMART ABOUT SPENDING: GRAPHS 1.1

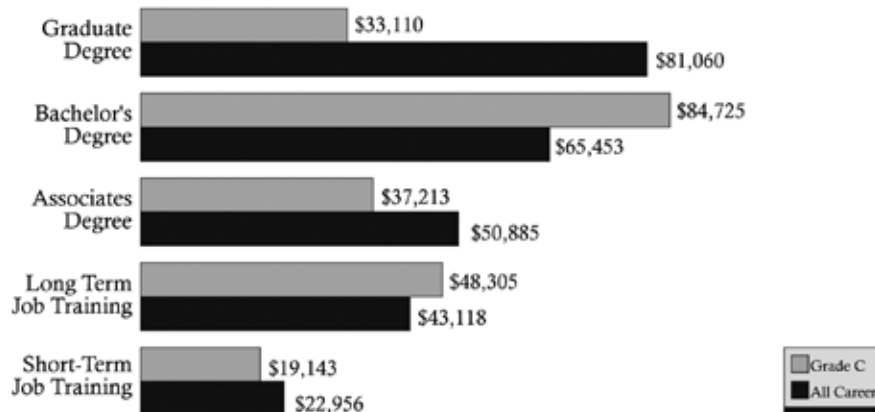
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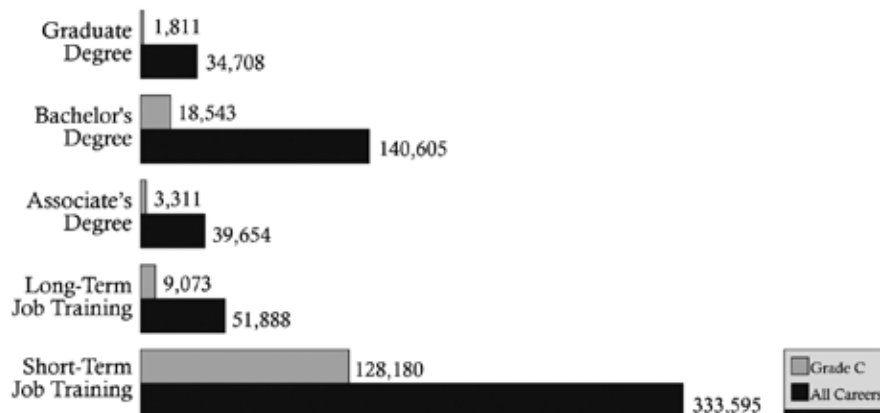
Grade C

Grade C careers have average growth and pay lower than average salaries compared to all occupations in the state. Nearly, 563,000 Missourians were employed in these occupations in 2008, making up 19.3 percent of the state's employment. Grade C careers earn lower than average wages, with an average of \$33,792 in 2008, compared to the statewide average of \$38,849.

Annual Average Wage for Grade C Careers



Total Openings for Grade C Careers



SMART ABOUT SPENDING: GRAPHS 1.1



Source: Missouri Economic Research and Information Center • www.missourieconomy.org/pdfs/2008-18_career_grades.pdf

Navigating Missouri's Top Jobs-2010

Top Grade C Careers

However, Grade C occupations that typically require education and training of a bachelor's degree or graduate degree earn wages close to the state average for occupations with similar requirements.

In the next ten years, employment in Grade C occupations is projected to increase by 1.01 percent, below with the state's average growth rate of 3.3 percent.

Top Grade C Occupations

Now	Openings	Average Wage
Cashiers	36,457	\$18,045
Waiters & Waitresses	29,430	\$17,928
Combined Food Preparation & Serving Workers	22,766	\$16,870
Counter Attendants, Cafeteria, Food Concession, & Coffee Shop	6,381	\$17,951
Dishwashers	5,019	\$17,082

Next	Openings	Average Wage
Welders, Cutters, Solderers, & Brazers	3,101	\$33,031
Electricians	3,047	\$53,111
Hairdressers, Hairstylists, & Cosmetologists	1,876	\$24,570
First-Line Supervisors/Managers of Production & Operating Workers	1,613	\$50,831
Medical Records & Health Information Technicians	1,455	\$30,663

Later	Openings	Average Wage
General & Operations Managers	9,233	\$96,029
Chief Executives	2,130	\$149,078
Computer Programmers	1,816	\$66,946
Graphic Designers	1,557	\$43,373
Rehabilitation Counselors	884	\$32,561





SMART ABOUT SPENDING: GRAPHS 1.1

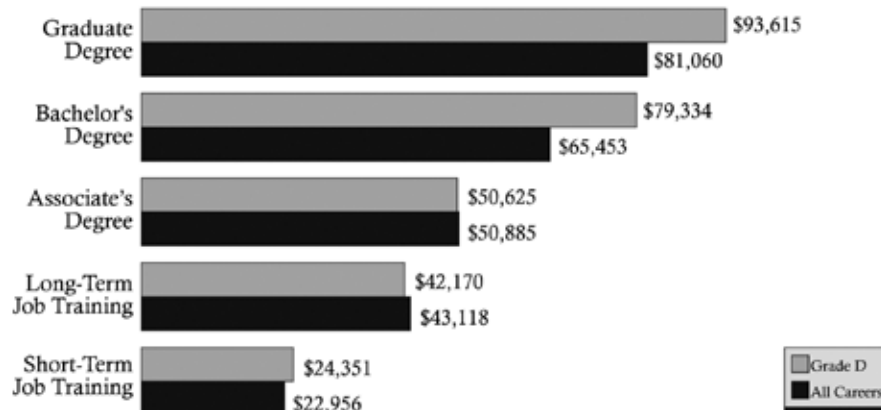
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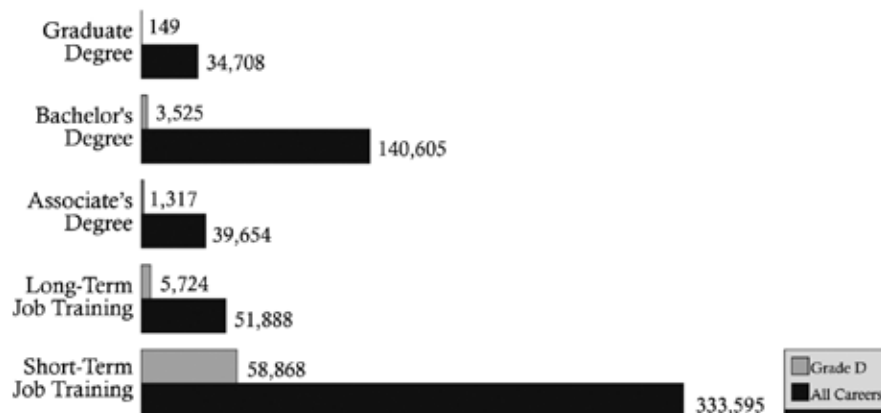
Grade D

Grade D careers have below average growth and pay lower than average salaries compared to all occupations in the state. Nearly 455,600 Missourians were employed in these occupations in 2008, making up 15.6 percent of the state's employment. Grade D careers had an average annual wage of \$30,553 in 2008, compared to the statewide average of \$38,849.

Average Annual Wage for Grade D Careers



Total Openings for Grade D Careers



SMART ABOUT SPENDING: GRAPHS 1.1



Source: Missouri Economic Research and Information Center • www.missourieconomy.org/pdfs/2008-18_career_grades.pdf

Navigating Missouri's Top Jobs-2010

Top Grade D Careers

In the next ten years, employment in Grade D occupations is projected to decrease by 5.5 percent, much slower than the state's average growth rate of 3.3 percent.

Openings in Grade D careers in Missouri are projected to total more than 102,000 by 2018.

Of all Grade D openings in Missouri, 57 percent will require short-term on-the-job training and 6 percent long-term on-the-job training. Very few will require higher education, with less than 9.3 percent requiring an associate's or vocational degree or higher.

Top Grade D Occupations

Now	Openings	Average Wage
Laborers & Freight, Stock, & Material Movers	13,520	\$25,714
Janitors & Cleaners, Except Maids & Housekeeping Cleaners	9,081	\$22,170
Team Assemblers	7,211	\$26,474
Maids & Housekeeping Cleaners	5,944	\$19,393
Industrial Truck & Tractor Operators	4,700	\$28,726

Next	Openings	Average Wage
Machinists	1,290	\$35,627
Psychiatric Technicians	1,263	\$23,875
Bus & Truck Mechanics & Diesel Engine Specialists	1,239	\$39,635
Automotive Body & Related Repairers	934	\$45,142
Butchers & Meat Cutters	841	\$26,231

Later	Openings	Average Wage
Appraisers & Assessors of Real Estate	374	\$39,744
Recreational Therapists	361	\$31,935
Surveyors	323	\$47,253
Airline Pilots, Copilots, & Flight Engineers	323	ND
Purchasing Managers	314	\$94,665





SMART ABOUT SPENDING: GRAPHS 1.1

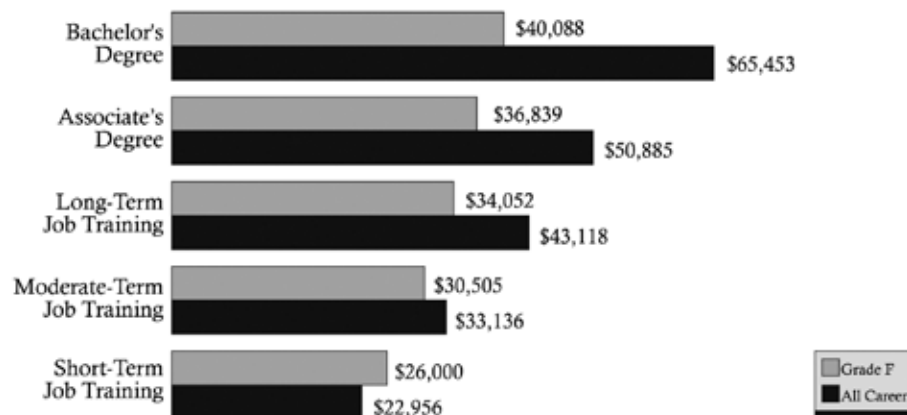
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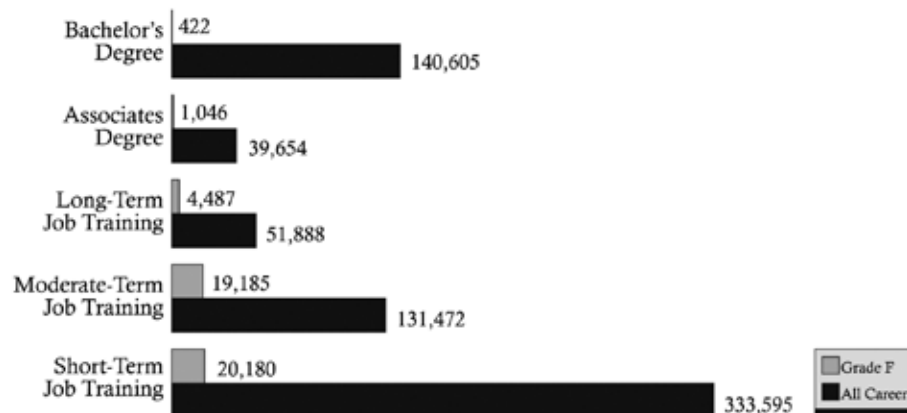
Grade F

Grade F careers have a poor outlook with declining growth rates, few openings, and lower than average wages compared to all occupations in the state. Over 211,000 Missourians were employed in these occupations in 2008, making up 7 percent of the state's employment. Grade F careers earn lower than average wages with an average of \$29,715 in 2008, compared to the statewide average of \$38,849. However, Grade F occupations that require only short-term on-the-job training earn similar to the state average for that level of training.

Average Annual Wage for Grade F Careers



Total Openings for Grade F Careers



SMART ABOUT SPENDING: GRAPHS 1.1



Source: Missouri Economic Research and Information Center • www.missourieconomy.org/pdfs/2008-18_career_grades.pdf

Navigating Missouri's Top Jobs-2010

Top Grade F Careers

In the next ten years, employment in Grade F occupations is projected to decline by 10.8 percent, compared to the state's average growth rate of 3.3 percent.

Only slightly more than 48,000 openings are projected for Grade F careers by 2018. Of all Grade F openings in Missouri, 41 percent will require short-term on-the-job training and 9 percent long-term on-the-job training. Very few will require higher education, with only 7 percent requiring an associate's or vocational degree or higher.

Top Grade F Occupations

Now	Openings	Average Wage
Cooks, Fast Food	1,736	\$16,869
Parts Salespersons	1,657	\$30,424
Order Clerks	1,486	\$25,292
Production Workers, All Other	1,420	\$29,408
Data Entry Keyers	1,346	\$26,395

Next	Openings	Average Wage
Cabinetmakers & Bench Carpenters	727	\$28,043
Bakers	703	\$22,323
New Accounts Clerks	630	\$29,672
Welding, Soldering, & Brazing Machine Setters, Operators, & Tenders	465	\$30,018
Radio & Television Announcers	361	\$32,806

Later	Openings	Average Wage
Reporters & Correspondents	309	\$41,925
Legislators	107	\$34,556
Farm & Home Management Advisors	6	\$40,807





SMART ABOUT SPENDING: WORKSHEET 1.1.1

NAME: _____ DATE: _____

1. What is your desired career or profession? _____

2. What is your annual wage (mean)? _____

You can find this information by visiting <http://www.missourieconomy.org/OesWage/Default.aspx>.

Area: Missouri

Occupation: Choose the one closest to your desired career or profession

Year: Choose the most recent year

3. What additional education or training is needed for your desired career or profession?

You can find this information by visiting <http://www.bls.gov/serach/ooh.htm>, or you may interview a current professional.

4. How much will the education or training cost that you need to obtain?

If you know what school you will be attending, search the school's website for annual tuition and fees. If you do not know what school you will be attending, refer to a local state university or community college website. If you need further guidance, refer to the Missouri Department of Higher Education's Program Inventory (<http://highered.mo.gov/ProgramInventory/search.jsp>).

\$ _____ x (the number of years you will attend) _____ = TOTAL \$ _____

5. Do you have enough funds and/or scholarships to cover this cost? (Circle One) Yes or No

If No, complete the rest of number 5 by visiting <http://www.mappingyourfuture.org/paying/standardcalculator.htm>.

Number of Monthly Payments: 120

Simple Interest Rate: 6.8

Principal Amount of Loan: 5A. \$ _____

(This amount should be no more than what is required to cover your unmet educational costs.)

Your Total Interest Costs: 5B. \$ _____

Add line 5A. and 5B. together for the total cost of education or training: 5C. \$ _____

6. Annual Median Wage x 25 = \$ _____ — 5C (if needed) \$ _____ =

TOTAL Lifetime Salary \$ _____

SMART ABOUT SPENDING: WORKSHEET 1.1.1



GROUP WORK

NAMES OF PEOPLE IN GROUP: _____ DATE: _____

1. What is the average training/education level? _____
2. What is the average training/educational expense? \$ _____
3. What is the average annual median wage? \$ _____
4. What is the average lifetime salary? \$ _____
5. What degrees or certificates will the group need to obtain to secure these jobs?

6. What schools will be attended by the group members? Why were these schools selected?

7. REFLECTION: How has this investigation changed your perception on your future career choice? Did the price of higher education surprise you? How did your lifetime salary compare to others in your class? Has this project changed your mind about your career choice?



SMART ABOUT SPENDING: ACTIVITY 1.2

Relationship of taxes, employee benefits, and other factors to disposable income

A. Purpose and Description

The purpose of this lesson is to educate students on the most common paycheck deductions.

B. Objectives

At the end of this lesson, students will:

1. Know the definition of disposable income
2. Know the most common paycheck deductions and taxes
3. Understand the reason for common paycheck deductions

C. Required Resources

1. One copy of *Worksheet 1.2.1* (Page 25) for each student
2. One copy of *Assessment 1.2.2* (Page 27) for each student
3. Computer lab with Internet access

D. Required Class Time

Two (60 minute) class periods

E. Smart About Spending Assignment

Tab 1, Page 4

F. Procedure

(Day 1)

1. Ask students to read their *Smart About Spending* expansion portfolio, Tab 1, Page 4.
2. Go to the computer lab.
3. Visit www.mappingyourfuture.org/money/income.htm to complete *Worksheet 1.2.1*.

(Day 2)

4. Have students trade their completed *Worksheet 1.2.1* with a classmate, and discuss the correct answers as a class. Collect graded worksheets.

G. Assessment

1. Hand out *Assessment 1.2.2* and have students complete it.
2. Grade *Assessment 1.2.2* and have students file it along with *Worksheet 1.2.1* behind Tab 1 in the *Smart About Spending* expansion portfolio.

H. Note to Instructor

1. Encourage students with jobs to bring in their pay stubs. Break the classroom up into groups, and have students identify the following items and amounts:
 - a. Gross Pay
 - b. Net Pay
 - c. FICA
 - d. Current Earnings
 - e. YTD Earnings
 - f. Federal Income Tax
 - g. Missouri Income Tax
 - h. Pay Rate

SMART ABOUT SPENDING: WORKSHEET 1.2.1



NAME: _____ DATE: _____

Central Grocery Store #122		Statement of Earnings and Deductions				
Employee					Check Number	
Ida Student					1234567	
SSN	Period End Date	Pay Rate	Check Date	Net Pay		
*****1234	09/30/2011	8.00	10/02/2011	105.85		
Current Earnings	YTD Earnings	Current Deductions				
128.00	1,536.00	22.15				
Pay Category	Rate	Hours	Amount	Deduction Category	Amount	YTD Amount
Regular Pay	8.00	16	128.00	Federal Income Tax	10.50	126.00
Vacation		0	0	Missouri Income Tax	3.71	44.52
				FICA Tax	7.94	95.28
Questions? Contact Human Resources at (573) 555-8000						

- Explain the difference between gross pay and net pay.
- How much is Ida's current gross pay? \$_____
- How much is Ida's current net pay? \$_____.
- FICA tax is also known as _____.
- How much FICA has Ida paid this year so far? \$_____
- Name three other possible deductions:

- How much in deductions did Ida pay this month? \$_____.
- Tax deductions are calculated based on the amount you earn and the number of _____ you claim.



SMART ABOUT SPENDING: ANSWER KEY 1.2.1

Central Grocery Store #122		Statement of Earnings and Deductions				
Employee					Check Number	
Ida Student					1234567	
SSN	Period End Date	Pay Rate	Check Date	Net Pay		
*****1234	09/30/2011	8.00	10/02/2011	105.85		
Current Earnings	YTD Earnings	Current Deductions				
128.00	1,536.00	22.15				
Pay Category	Rate	Hours	Amount	Deduction Category	Amount	YTD Amount
Regular Pay	8.00	16	128.00	Federal Income Tax	10.50	126.00
Vacation		0	0	Missouri Income Tax	3.71	44.52
				FICA Tax	7.94	95.28
Questions? Contact Human Resources at (573) 555-8000						


1. Explain the difference between gross pay and net pay.
Gross pay is your pay rate multiplied by your hours worked. Net pay is the amount of money you actually receive after deductions.
2. How much is Ida's current gross pay? \$128
3. How much is Ida's current net pay? \$105.85
4. FICA tax is also known as Social Security tax.
5. How much FICA has Ida paid this year so far? \$95.28
6. Name three other possible deductions:
Retirement contributions
Insurance
Cafeteria or FLEX plan
Wage garnishment
Any other agreed automatic withholdings
7. How much in deductions did Ida pay this month? \$22.15
8. Tax deductions are calculated based on the amount you earn and the number of exemptions you claim.

SMART ABOUT SPENDING: ASSESSMENT 1.2.2



NAME: _____ DATE: _____

Identify the values for the items on the right side of the page using the pay stub below.

State of Missouri Office of Administration PO Box 809 Jefferson City, Missouri 65102			
Name: JOE STUDENT Address: 100 MAIN STREET ANYWHERE, MO 61111		Check Date: 12/15/2011 Payroll Period: 11/16/2011 - 11/30/2011 Check Net Amount: \$1,147.55	
Wages	Amount	YTD Amount	
GROSS WAGES	\$1,707.00	\$39,261.00	
FEDERAL/STATE TAXABLE WAGE	\$1,428.89	\$32,864.47	
SOCIAL SECURITY/MEDICARE WAGE	\$1,463.89	\$33,669.47	
Pay	Rate	Hours	Amount
REGULAR PAY	\$1,707.00	78:40	\$1,549.43
STATE COMP USAGE PAY	\$1,707.00	8:00	\$157.57
<i>Total</i>		86:40	\$1,707.00
Deductions	Amount	YTD Amount	
CAFETERIA ADMINISTRATION FEE	\$1.25	\$28.75	
CAFETERIA PLN-FLEXIBLE MEDICAL	\$164.16	\$3,775.68	
FEDERAL TAX WITHHOLDING	\$160.37	\$3,688.51	
MCHCP DENTAL - CP	\$24.15	\$555.45	
MCHCP HEALTH - CP	\$50.00	\$1,150.00	
MCHCP VISION - CP	\$4.80	\$110.40	
MEDICARE TX W/H EMPLOYEE SHARE	\$21.23	\$488.21	
MO STATE DEFERRED COMP PLAN	\$35.00	\$805.00	
MO STATE EMP CHARITABLE CAMPAI	\$5.00	\$115.00	
SOCIAL SECURITY TAX W/H -EE	\$61.49	\$1,414.12	
STATE TAX WITHHOLDING	\$32.00	\$736.00	
<i>Total</i>	\$559.45	\$12,867.12	
Employer Contributions	Amount	YTD Amount	
LIFE INSURANCE FRINGE PAYMNT	\$7.60	\$174.80	
LONG TERM DISABILITY FRINGE	\$8.45	\$194.35	
MCHCP HEALTH FRINGE PAYMENT	\$328.00	\$7,736.00	
MEDICARE FRINGE PAYMENT	\$21.23	\$488.21	
MOSERS RETIREMENT PLAN FRNG PY	\$238.47	\$5,449.32	
RETIREE HEALTH FRINGE	\$68.79	\$1,633.41	
SOCIAL SECURITY TAX W/H -ER	\$90.76	\$2,087.51	
<i>Total</i>	\$763.30	\$17,763.60	

- Current gross wages amount:
\$ _____
- Current net pay amount:
\$ _____
- Current Medicare Tax amount:
\$ _____
- Year-to-date (YTD) gross wages:
\$ _____
- Current federal income tax amount:
\$ _____
- Current state income tax amount:
\$ _____
- Current FICA (Social Security) amount:
\$ _____



SMART ABOUT SPENDING: ASSESSMENT KEY 1.2.2

NAME: _____ DATE: _____

Identify the values for the items on the right side of the page using the pay stub below.

State of Missouri Office of Administration PO Box 809 Jefferson City, Missouri 65102			
Name: JOE STUDENT		Check Date: 12/15/2011	
Address: 100 MAIN STREET ANYWHERE, MO 61111		Payroll Period: 11/16/2011 - 11/30/2011	
		Check Net Amount: \$1,147.55	
Wages	Amount	YTD Amount	
GROSS WAGES	\$1,707.00	\$39,261.00	
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MCHCP HEALTH - CP	\$50.00	\$1,150.00	
MCHCP VISION - CP	\$4.80	\$110.40	
MEDICARE TX W/H EMPLOYEE SHARE	\$21.23	\$488.21	
MO STATE DEFERRED COMP PLAN	\$35.00	\$805.00	
MO STATE EMP CHARITABLE CAMPAI	\$5.00	\$115.00	
SOCIAL SECURITY TAX W/H -EE	\$61.49	\$1,414.12	
STATE TAX WITHHOLDING	\$32.00	\$736.00	
<i>Total</i>	<i>\$559.45</i>	<i>\$12,867.12</i>	
Employer Contributions	Amount	YTD Amount	
LIFE INSURANCE FRINGE PAYMNT	\$7.60	\$174.80	
LONG TERM DISABILITY FRINGE	\$8.45	\$194.35	
MCHCP HEALTH FRINGE PAYMENT	\$328.00	\$7,736.00	
MEDICARE FRINGE PAYMENT	\$21.23	\$488.21	
MOSERS RETIREMENT PLAN FRNG PY	\$238.47	\$5,449.32	
RETIREE HEALTH FRINGE	\$68.79	\$1,633.41	
SOCIAL SECURITY TAX W/H -ER	\$90.76	\$2,087.51	
<i>Total</i>	<i>\$763.30</i>	<i>\$17,763.60</i>	

1. Current gross wages amount:
\$1,707.00
2. Current net pay amount:
\$1,147.55
3. Current Medicare Tax amount:
\$21.23
4. Year-to-date (YTD) gross wages:
\$39,261.00
5. Current federal income tax amount:
\$160.37
6. Current state income tax amount:
\$32.00
7. Current FICA (Social Security) amount:
\$61.49

SECTION TWO: MONEY MANAGEMENT



Missouri Personal Finance Competencies covered in this section include:

- Effects of limited personal financial resources on the choices people make
- Opportunity costs of financial decisions
- Consequences of personal financial decisions
- Decision-making processes for personal finance choices
- Effect of inflation on spending and saving decisions
- Insurance (e.g., auto, home, etc.) and other risk-management strategies that protect against financial loss
- Financial plan (budget) for earning, spending, saving, and investing
- Using the services available from financial institutions
- Role of the Federal Reserve in controlling the money supply



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SMART ABOUT SPENDING: ACTIVITY 2.1

Opportunity costs of financial decisions and consequences of personal financial decisions

A. Purpose and Description

The purpose of this lesson is to help students understand the concept of “opportunity cost,” and the consequences associated with spending choices they make.

B. Objectives

At the end of this lesson, students will be able to:

1. Clearly explain the concept of “opportunity cost”
2. Articulate the future impact of today’s financial choices
3. Distinguish between “needs” and “wants”

C. Required Resources

1. One copy of *Worksheet 2.1.1* for each student (Pages 31-35)
2. Definitions for “needs” and “wants,” located in the *Word Bank* (Pages 83 and 84)

D. Required Class Time

One (60 minute) class period

E. Smart About Spending Assignment

Tab 2, Page 1

F. Procedure

1. Ask students to read their *Smart About Spending* expansion portfolio, Tab 2, Page 1.
2. Distribute *Worksheet 2.1.1*, and review instructions with the class.
3. Advise students to complete *Worksheet 2.1.1* individually.
4. As a class, discuss some of the choices students made when completing *Worksheet 2.1.1*. Inquire about individual opportunity costs as a result of these decisions.

G. Assessment

1. Distribute *Worksheet 2.1.2*.
2. Ask students to complete and turn in *Worksheet 2.1.2*.
3. File *Worksheet 2.1.2* behind Tab 2 in the *Smart About Spending* expansion portfolio.

SMART ABOUT SPENDING: WORKSHEET 2.1.1



NAME: _____ DATE: _____

Read the beginning scenario carefully, and consider your income and available savings compared to your wants and needs. Follow the situations below to make spending choices.

Beginning scenario: It is the beginning of your senior year in high school:

- You are working part time and earning \$7.50 an hour with take-home pay of about \$60 a week. You receive your paycheck every two weeks on Wednesdays.
- You currently have \$550 in a bank account, some of which has come from your job earnings and some of which has been given to you by parents, grandparents, etc.
- You have a used car given to you by your parents, but you are responsible for paying your auto insurance premium, which is \$65 a month, plus the cost of gas.
- Your car gets about 20 miles to the gallon, and gas is currently \$3.25 a gallon. You typically drive at least 60 miles a week, which requires about three gallons of gas for a total of \$10 a week.

Situation 1 (Sunday):

Most of your friends have the newest cell phone, something you have been unable to afford. If you use the money you have saved in your bank account, you could purchase the phone now. But you also have your car insurance premium due in one week and you need gas for your car, which is on empty. Additionally, some of your friends are planning a party for an upcoming weekend, and if you attend, you will be expected to contribute to the food and beverages. You will also need to pay for two gallons of gas (\$6.50) to drive there and back. Further, you would like to have a few new clothing items to look your best at the party.

Choices for Situation 1:

1. You have been working hard and spending very little for a month or more. You decide now is the time to splurge, and you go out today and buy the newest cell phone. Go to **Situation 2.A** on the following page.
2. You decide to put off buying the phone today. Although you are itching to have the newest cell phone, you decide to be responsible and NOT give in to the urge to spend this money. Instead, you spend your Sunday afternoon finishing homework you have due on Monday. Go to **Situation 2.B** on the following page.
3. You decide to put off purchasing the newest cell phone because you KNOW you want to go to the party next weekend. You spend your Sunday afternoon shopping for a few new clothes. Go to **Situation 2.C** on the following page.



SMART ABOUT SPENDING: WORKSHEET 2.1.1

Situation 2.A (Sunday)

Now your remaining balance is \$80. Your next paycheck is not coming until the Wednesday after next (approximately 10 days from now). You need to put at least \$10 of gas in your car, and your \$65 car insurance payment is due four days from now, on Thursday.

Choices for Situation 2.A:

1. You head to the gas station and spend \$10 on gas, and you also make your \$65 car insurance payment. You know you cannot skip the insurance payment because it is the law to have insurance. Go to **Situation 3.C** on the following page.
2. You decide to skip your \$65 car insurance payment and pay it a week late when you receive your next paycheck. You head to the gas station and spend \$25 on gas, which will last until next Wednesday's payday. However, you also decide not to go clothing shopping because you do not have enough to buy the clothes you really want. Go to **Situation 3.A** on the following page.

Situation 2.B

By resisting the urge to spend your money and making a wise financial choice, you still have \$550 in your bank account. You go put \$10 in your gas tank and make your \$65 car insurance payment, leaving you with \$485 in your account. Your next paycheck is coming in about a week and a half, which should be about \$60.

Choices for Situation 2.B:

1. You decide you are definitely going to the upcoming party. So you go to the grocery store and spend about \$10 on food and beverages to contribute to the party. You also decide to go clothing shopping, and you spend \$125 to make sure you will look your best at the party. Go to **Situation 3.B** on the following page.
2. You work so hard for your money that you hate to let go of too much of it at one time. Although you are definitely going to the party, you decide to make do with the clothes you already have in your closet. Your last expenditure at this time will be spending \$10 at the grocery store for food and beverages for the party. Go to **Situation 3.E** on Page 34.

Situation 2.C

During your shopping trip, you spent \$150 on new clothes. Now you will feel confident about how you look when you go to the party. The remaining balance in your bank account is now \$400, and you still have about 10 days till you receive your next \$60 paycheck from work. You still need to put gas in your tank—including a little extra than normal so you can drive to the party next weekend—and you also still need to pay your monthly insurance premium.

SMART ABOUT SPENDING: WORKSHEET 2.1.1



Choices for Situation 2.C:

1. You decide to put \$20 in your gas tank, which should be plenty to get you through this week, party weekend, and next Monday and Tuesday until you receive next Wednesday's paycheck. Because this puts your balance in your bank account down to \$380, you decide to pay your car insurance premium a little late. Go to **Situation 3.F** on the following page.
2. You decide to be responsible and pay your car insurance premium because you do not want to risk losing your coverage or incurring a late fee. Go to **Situation 3.D**.

Situation 3.A

By spending \$25 on gas and skipping clothing shopping, your bank balance is now only \$55. You decided to pay your car insurance payment of \$65 late, upon receipt of your next paycheck the Wednesday after next (approximately 10 days from now). You do have enough gas to go to work, school, and the party. However, if you go to the party, that will mean another expenditure to buy food and beverages to contribute.

Choices for situation 3.A:

1. You decide to go to the party, and so you spend \$10 at the grocery store. Go on to **Conclusion 4.C** on Page 35.
2. Although you really want to go to the party, you realize that you have already made some risky spending choices and you are also not able to buy any new clothes. You worry about your car insurance payment and wonder if you could get into legal trouble as a result. Thus, you decide NOT to go to the party. Go to **Conclusion 4.E** on Page 35.

Situation 3.B

You have now paid your \$65 car insurance premium and spent \$10 on gas, \$10 at the grocery store, and \$125 on new clothes. Your bank account balance is now down to \$350. Go to **Conclusion 4.A** on Page 34.

Situation 3.C

You now only have \$5 left in your bank account. Although you have enough gas for the week and your car insurance has been paid, you are concerned about the gas you will need for next Monday and Tuesday because you will not receive your next \$60 paycheck until next Wednesday. Go to **Conclusion 4.B** on Page 34.

Situation 3.D

Your bank account balance is now \$325. All of your immediate bills are paid. Plus, you have some nice new clothes. Go to **Conclusion 4.D** on Page 35.



SMART ABOUT SPENDING: WORKSHEET 2.1.1

Situation 3.E

By resisting the urge to spend your money on an expensive electronics item and by paying your car insurance and purchasing gas, you have put aside your “wants” and focused on your “needs.” Spending \$10 at the grocery store leaves you with \$475 in your account. Your next paycheck is coming in about a week and a half, which should be about \$60. You are sticking by your decision to not spend any more of your hard-earned money. Go to **Conclusion 4.G** on the following page.

Situation 3.F

You still have \$380 in your bank account, but you have not paid your insurance premium. Go to **Conclusion 4.F** on the following page.

Conclusion 4.A

You feel pretty good about keeping your bank balance at \$350 and not spending too much, but you also still yearn for the newest cell phone. You feel like a wise financial manager because you paid your car insurance premium and bought gas, both of which are needs. How much did you spend on “wants” and do you think these were wise choices? What if your car breaks down next week? Do you think you will have enough money to pay for repairs? What other situations might come up in the next few weeks that would ultimately make you regret spending some of your money on wants?

Conclusion 4.B

You now own the newest cell phone, have paid your monthly insurance premium, and have \$10 in your gas tank (about three gallons). BUT you only have \$5 left in your account. By buying the newest cell phone, what did you give up? What was the opportunity cost of this spending choice? Will you be able to go to next weekend’s party? How will you get to school and work next Monday and Tuesday? What else have you given up by almost depleting your bank account?

SMART ABOUT SPENDING: WORKSHEET 2.1.1



Conclusion 4.C

You now own the newest cell phone and have \$25 in your gas tank (about eight gallons). After spending \$10 at the grocery store to contribute to the party, you only have \$45 left in your account. By purchasing the newest cell phone and choosing to NOT pay your car insurance, what risks exist for you now? What was the opportunity cost of the spending choices you made? When your next payday comes and you pay your car insurance premium, how much money will you have left? Will you then be able to pay all your expenses until your next payday (approximately 10 days from now)?

Conclusion 4.D

Your bank account balance is now \$325. All of your immediate bills are paid, you have gas in your car, and you have some nice new clothes. Are you satisfied with your choices? Do you feel good about having \$325 in your bank account, or do you wish it was more?

Conclusion 4.E

You now own the newest cell phone and have \$25 in your gas tank (about eight gallons). By choosing to NOT attend the party, you now have enough gas to last you for the next two and a half week—which will help alleviate your budget/spending plan for your next payday. You also still have \$55 left in your bank account. Therefore, on your next payday you will have \$55 in your account plus your \$60 paycheck. After paying your insurance premium (late), you will have \$50 left and will not need to buy gas. By buying the newest cell phone, and choosing to NOT pay your car insurance, and choosing to not go to the party, are you satisfied with your financial decisions? What was the opportunity cost of spending \$470 on the newest cell phone and \$25 on gas? Are you satisfied with your ending financial situation?

Conclusion 4.F

Your bank account balance is now \$380, and you are glad you did not deplete all your money. Are you concerned about paying your insurance late? What are the chances your coverage might be canceled or you might be charged a late fee? What if you get in a car accident next week?

Conclusion 4.G

Your bank account balance is in excellent shape at \$475. When you deposit your next paycheck, it will again be above \$500. You would like to keep building your balance as much as possible so that you have plenty of emergency money if you ever need it, especially next year when you go off to college. However, it WAS really hard to resist the urge to buy the new phone, and you still want it. How do you feel about your financial choices today? How do you think you will feel when you deposit your next paycheck? Is it satisfying to know that you will have the most money possible when you go to college and are living on your own?



SMART ABOUT SPENDING: WORKSHEET 2.1.2

NAME: _____ DATE: _____

After reading the scenarios on the prior pages, making your choices, and ending on a conclusion, answer the following questions:

1. Of the choices you made, which ones were choices to satisfy your NEEDS?

2. Which choices did you make based on your WANTS?

3. By the end of the worksheet, did you still have enough money to pay your monthly car insurance premium of \$65?

4. If you had known the full impact of your choices when you started with the beginning scenario, would you have made the same choices or different choices? Explain.

SMART ABOUT SPENDING: ACTIVITY 2.2



Insurance and other risk-management strategies that protect against financial loss

A. Purpose and Description

The purpose of this lesson is to give students a general understanding of the various types of insurance. The different types of insurance include life insurance, disability insurance, long-term care insurance, auto insurance, homeowners insurance and health insurance.

B. Objectives

At the end of this lesson, students will:

1. Have a general knowledge of different insurance types
2. Be able to find resources on where to obtain insurance

C. Required Resources

1. One copy of *Worksheet 2.2.1* for each student (Page 39-42)
2. One copy of *Worksheet 2.2.2* for each student (Page 47)
3. One copy of *Quiz 2.2.3* for each student (Page 48)
4. Computer lab with Internet access
5. Two insurance agents (guest speakers)

D. Required Class Time

Four (60 minute) class periods

E. Smart About Spending Assignment

Tab 2, Page 3

F. Procedure

(Day 1)

1. Break the students into six groups, and assign each group one of the six insurance types: life, disability, long-term care, auto, homeowners and health.
2. Ask students to read their *Smart About Spending* expansion portfolio, Tab 2, Page 3.
3. Distribute *Worksheet 2.2.1*.
4. Go to the computer lab.
5. Ask each group to watch the *Insurance Fundamentals* video, and the corresponding video for their assigned insurance type at **www.lifehappens.org/insurance-101-in-a-flash/**. As students view the videos, have them complete the appropriate sections of *Worksheet 2.2.1*.
6. Grade *Worksheet 2.2.1* before proceeding to Day 2 procedures.

(Day 2)

7. Give each group a few minutes to review *Worksheet 2.2.1*.
8. Have each group stand up and give a brief presentation on what they learned about their assigned insurance type. Since insurance can be a dry subject, encourage creative presentations, like a skit.
9. Encourage students to take notes during the group presentations, and complete the remaining unanswered questions on *Worksheet 2.2.1*.



SMART ABOUT SPENDING: ACTIVITY 2.2

(Day 3)

10. Have guest insurance agents join the class.
11. Distribute *Worksheet 2.2.2*.
12. Have guest speakers give an overview of what they sell and the benefits of having insurance.
13. Encourage students to present the questions on *Worksheet 2.2.1* to guest speakers.
14. Advise students to add *Worksheet 2.2.2* to their completed *Worksheet 2.2.1*.
15. Encourage students to study both worksheets in preparation for *Quiz 2.2.3*.

(Day 4)

G. Assessment

1. Lead a discussion on what students learned from the *Insurance 101...in a Flash* videos.
2. Have the class discuss the guest speakers' presentations.
3. Hand out *Quiz 2.2.3* after discussion.
4. Grade *Quiz 2.2.3* and have students staple together with *Worksheets 2.2.1* and *2.2.2*.
5. File the worksheets and quiz behind Tab 2 in the *Smart About Spending* expansion portfolio.

H. Note to Instructor

Instructors are encouraged to allow students to use *Worksheets 2.2.1* and *2.2.2* for *Quiz 2.2.3*. Insurance policies can be difficult to comprehend. It is of critical importance that students have a basic understanding of insurance and, if they do not, they are at least able to find the resources they need. Throughout the lesson, encourage students to take notes in preparation for *Quiz 2.2.3*.

SMART ABOUT SPENDING: WORKSHEET 2.2.1



NAMES: _____ DATE: _____

Insurance and other risk-management strategies that protect against financial loss

Watch the corresponding video at **www.lifehappens.org/insurance-101-in-a-flash/** to answer the corresponding questions. Answer only the questions you are assigned. Everyone needs to answer Section 1, Insurance Fundamentals.

Circle the insurance your group will be investigating.

• **Life** • **Disability** • **Long-Term Care** • **Health** • **Auto** • **Homeowners**

1. Insurance Fundamentals

1. Insurance transfers financial risk from individuals to _____?
2. Insurance arrangements are used to protect and create what?
3. The financial planning pyramid consist of what two components?
4. Protection and security in the financial pyramid guarantees that financial needs will _____.
5. What are three risks we all face?

2. Life Insurance

1. What are the three questions you need to ask yourself when purchasing life insurance?
2. You need life insurance if someone will suffer _____ when you die.
3. How do you determine how much life insurance you need?



SMART ABOUT SPENDING: WORKSHEET 2.2.1

4. What are the two types of life insurance? Which is more expensive?
5. What fills the financial gap that exist between your financial needs and your financial realities?

3. Disability Insurance

1. What is typically your largest asset?
2. The range for the disability benefit amount should be_____.
3. Before disability benefit is awarded, what is the most common waiting period?
4. What are the three building blocks of disability insurance?
5. Even simple disabilities can prevent you from doing what?

4. Long-term Care Insurance

1. What are the chances of a person needing long-term care?
2. The government is encouraging individuals to purchase long-term care insurance by making insurance premiums_____.
3. Individuals need long-term care when a chronic condition, trauma, or illness effects_____.
4. What are the five long-term care insurance key considerations?
5. What percent of long-term care patients are under the age 64?

SMART ABOUT SPENDING: WORKSHEET 2.2.1



5. Health Insurance

1. What are the two sources of health insurance coverage?
2. Most Americans have group coverage through what entity?
3. Name three COBRA facts:
4. Name the three basic insurance plans:
5. True or False? Private insurance companies may deny coverage to a person who has a preexisting medical condition.

6. Auto Insurance

1. What kind of coverage pays for injuries or damage you cause other people or their property?
2. What is the typical state required minimal coverage?
3. Once your policy pays the maximum limit who is responsible for the remaining amount?
4. Medical payments coverage protects what three categories?
5. If your automobile is financed, you will be required to have what kind of coverage until that debt is paid off?

7. Homeowners Insurance

1. What are the three forms of homeowners insurance?
2. How can you find out the true replacement cost of your house?



- 8. What question would you like to ask the insurance agents when they visit the classroom?**

9. Notes from the video and presentations:

42

SMART ABOUT SPENDING: ANSWER KEY 2.2.1



NAMES: _____ DATE: _____

Insurance and other risk-management strategies that protect against financial loss

Watch the corresponding video at **www.lifehappens.org/insurance-101-in-a-flash/** to answer the corresponding questions. Answer only the questions you are assigned. Everyone needs to answer Section 1, Insurance Fundamentals.

Circle the insurance your group will be investigating.

• Life • Disability • Long-Term Care • Health • Auto • Homeowners

1. Insurance Fundamentals

1. Insurance transfers financial risk from individuals to an insurance company?
2. Insurance arrangements are used to protect and create what?
Wealth
3. The financial planning pyramid consist of what two components?
1. Asset Accumulation 2. Protection and Security
4. Protection and security in the financial pyramid guarantees that financial needs will
always be met, no matter what happens in life.
5. What are three risks we all face?
1. Dying too soon 2. Living too long 3. Becoming disabled

2. Life Insurance

1. What are the three questions you need to ask yourself when purchasing life insurance?
1. Do I need life insurance? 2. How much do I need? 3. What kind should I buy?
2. You need life insurance if someone will suffer financially when you die.
3. How do you determine how much life insurance you need?
Financial Need Analysis to include: immediate expenses, ongoing expenses and future expenses



SMART ABOUT SPENDING: ANSWER KEY 2.2.1

4. What are the two types of life insurance? Which is more expensive?
Term Insurance and Permanent (whole life) Insurance, Permanent Insurance (whole life) is more expensive
5. What fills the financial gap that exist between your financial needs and your financial realities?
Life insurance

3. Disability Insurance

1. What is typically your largest asset?
Income
2. The range for the disability benefit amount should be 40 to 60 percent.
3. Before disability benefit is awarded, what is the most common waiting period?
90 days
4. What are the three building blocks of disability insurance?
1. How much? 2. How quickly? 3. How long?
5. Even simple disabilities can prevent you from doing what?
Your job

4. Long-term Care Insurance

1. What are the chances of a person needing long-term care?
Over 60 percent
2. The government is encouraging individuals to purchase long-term care insurance by making insurance premiums a tax deduction.
3. Individuals need long-term care when a chronic condition, trauma, or illness effects Activities of Daily Living (ADL).
4. What are the five long-term care insurance key considerations?
1. Age when you purchase 2. Benefit amount 3. Elimination period 4. Duration of benefits 5. Inflation protection
5. What percent of long-term care patients are under the age 64?
37 percent

SMART ABOUT SPENDING: ANSWER KEY 2.2.1



5. Health Insurance

1. What are the two sources of health insurance coverage?
1. Private Sector 2. Government
2. Most Americans have group coverage through what entity?
Work/employer
3. Name three COBRA facts:
1. Coverage usually lasts 18 months 2. Employees must pay the full premium 3. Allows employees to hold onto their group insurance after they leave their job
4. Name the three basic insurance plans:
1. Indemnity of Fee-for Service 2. Preferred Provider Organization (PPO) 3. Health Maintenance Organization (HMO)
5. True or False? Private insurance companies may deny coverage to a person who has a preexisting medical condition.
True

6. Auto Insurance

1. What kind of coverage pays for injuries or damage you cause other people or their property?
Liability
2. What is the typical state required minimal coverage?
25/50/10
3. Once your policy pays the maximum limit, who is responsible for the remaining amount?
You
4. Medical payments coverage protects what three categories?
1. You and your passengers 2. You as a passenger in someone else's car 3. You as a pedestrian injured by a car
5. If your automobile is financed, you will be required to have what kind of coverage until that debt is paid off?
Comprehensive

7. Homeowners Insurance

1. What are the three forms of homeowners insurance?
1. Basic 2. Broad 3. Special Form
2. How can you find out the true replacement cost of your house?
Ask the insurance agent to construct a replacement cost value, or get a contractor's actual cost to rebuild.



SMART ABOUT SPENDING: ANSWER KEY 2.2.1

3. In order to have high valued items such as jewelry, tools, computers or securities covered by your homeowner's policy, you must schedule or add them to your policy. What will you need to schedule them on your homeowner's policy?

A bill of sale, receipt or an appraisal

4. Once you decide on the coverages you want, the cost will depend on what two variables?

1. Premium 2. Deductible

5. What steps you can do to keep your cost down?

1. Buy car and home insurance from the same company 2. Install an alarm system

3. Establish and maintain a good credit history

8. **What question would you like to ask the insurance agents when they visit the classroom?**

9. **Notes from the video and presentations:**

SMART ABOUT SPENDING: WORKSHEET 2.2.2



NAME: _____ DATE: _____

Insurance and other risk-management strategies that protect against financial loss

Presenter 1

1. What is the name of the presenter? _____
2. What company do they represent? _____
3. What kind of insurance, if any, do they specialize in? _____
4. Name five facts you learned from their presentation:

Presenter 2

1. What is the name of the presenter? _____
2. What company do they represent? _____
3. What kind of insurance, if any, do they specialize in? _____
4. Name five facts you learned from their presentation:



SMART ABOUT SPENDING: Quiz 2.2.3

NAME: _____ DATE: _____

Insurance and other risk-management strategies that protect against financial loss

1. Insurance transfers financial risk from individuals to _____ .
2. According to the *Insurance Fundamentals* video, what is one of the three risk we all face?

3. You need life insurance if someone will suffer _____ when you die.
4. What is typically your largest asset? _____
5. What are the chances of a person needing long-term care? _____
6. The government is encouraging individuals to purchase long-term care insurance by making insurance premiums _____.
7. What are the two sources of health insurance coverage? _____
8. True or False? Liability coverage pays for injuries or damage you cause other people or their property.
9. Name one way you can keep your home insurance down? _____
10. You are now 28 years old. You have your college degree and enjoy a full-time job with full benefits. You and your spouse are expecting your first child, and you just purchased your first home together, which includes a two-car garage for your two vehicles. You are getting ready to visit your new insurance agent. What insurance are you going to tell the agent you are interested in? How did you settle on this decision?

SMART ABOUT SPENDING: ANSWER KEY 2.2.3



NAME: _____ DATE: _____

Insurance and other risk-management strategies that protect against financial loss

1. Insurance transfers financial risk from individuals to an insurance company.
2. According to the *Insurance Fundamentals* video, what is one of the three risk we all face?
1. Dying too soon 2. Living too long 3. Becoming disabled
3. You need life insurance if someone will suffer financially how when you die.
4. What is typically your largest asset? *Income*
5. What are the chances of a person needing long-term care? *Over 60 percent*
6. The government is encouraging individuals to purchase long-term care insurance by making insurance premiums a tax deduction.
7. What are the two sources of health insurance coverage? *1. Private Sector 2. The Government*
8. True or False? Liability coverage pays for injuries or damage you cause other people or their property.
TRUE
9. Name one way you can keep your home insurance down?
*1. Buy car and home insurance from the same company 2. Install an alarm system
3. Establish and maintain good credit*
10. You are now 28 years old. You have your college degree and enjoy a full-time job with full benefits. You and your spouse are expecting your first child, and you just purchased your first home together, which includes a two-car garage for your two vehicles. You are getting ready to visit your new insurance agent. What insurance are you going to tell the agent you are interested in? How did you settle on this decision?
*1. Life insurance: Your spouse and child will depend on your full-time job with full benefits financially to afford the house and two vehicles.
2. Homeowners insurance: You will want to protect your house if it is destroyed, broken into, damaged in some way or if a visitor gets hurt.
3. Auto Insurance: Auto insurance is needed for your two vehicles to help cover any damages that you or someone else may cause in a vehicle accident.
4. OPTIONAL INSURANCE COVERAGE THAT MAY BE MENTIONED: Disability or long-term care insurance*



SMART ABOUT SPENDING: ACTIVITY 2.3

Role of the Federal Reserve in controlling the money supply

A. Purpose and Description

The purpose of this lesson is to educate students on the Federal Reserve, and the role it plays in their lives.

B. Objectives

At the end of this lesson, students will:

1. Have a general understanding of the Federal Reserve system and its purpose
2. Know the locations of Missouri's Federal Reserve Banks and the areas they serve
3. Understand the role the Federal Reserve plays in our country and in their lives

C. Required Resources

1. Lesson plans from **www.kc.frb.org/publicat/education/teachingresources/Lessonplangr9-12.pdf** (Federal Reserve Bank of Kansas City *Money Museum Tour*)*
2. One copy of *Worksheet 2.3.1* (Page 51) for each student**

D. Required Class Time

Two (60 minute) class periods

E. Smart About Spending Assignment

Tab 2, Page 6

F. Procedure

(Day 1)

1. Ask students to read their *Smart About Spending* expansion portfolio, Tab 2, Page 6.
2. Follow the "Procedure" from the *Money Museum Tour* lesson.
3. Divide the class into small groups and give them *Worksheet 2.3.1*.

(Day 2)

G. Assessment

1. Use prepared questions from *Money Museum Tour* lesson as a review of the Federal Reserve Bank.
2. File *Worksheet 2.3.1* behind Tab 2 in the *Smart About Spending* expansion portfolio.

H. Notes to Instructor

1. *Instructors should use their own discretion as to which lessons are used from the Federal Reserve's *Money Museum Tour* lesson plans.
2. **Please note, *Worksheet 2.3.1* on Page 51 of this guide is taken directly from the *Money Museum Tour* lesson, "Closure" section (Pages 6-7).
3. As a possible field trip, consider the Kansas City Federal Reserve Bank. Free tours of the Money Museum are provided on a daily basis. For additional information, visit **www.kansascityfed.org/moneymuseum/includes/index.cfm**.

SMART ABOUT SPENDING: WORKSHEET 2.3.1



NAME: _____ DATE: _____

1. What makes up the money supply in the U.S. economy?

2. Explain how the money supply can increase and decrease.

3. Why do banks have reserve requirements?

4. Describe how the money multiplier effect can create additional money.

5. Why was the Federal Reserve Bank established?

6. Explain the three basic functions of the Federal Reserve Bank.



SMART ABOUT SPENDING: ANSWER KEY 2.3.1

NAME: _____ DATE: _____

1. What makes up the money supply in the U.S. economy?

The money supply is made up of currency and coin in circulation, along with checking account balances. This total is referred to as M1 funds.

2. Explain how the money supply can increase and decrease.

When banks loan money to people and businesses, the overall money supply increases because there is more money in circulation. When these loans are paid back to the bank, the money supply decreases because there is less money in circulation. The Federal Reserve helps control the overall growth of the money supply.

3. Why do banks have reserve requirements?

Banks have reserve requirements to assure depositors that there will be enough money on hand to meet their withdrawal needs.

4. Describe how the money multiplier effect can create additional money.

After a deposit is made, the depositor has that amount available for spending in his account. The bank will then keep the reserve requirement (currently percent) from that deposit, and may loan the balance to another customer. This customer can deposit the balance in her account and use it for spending purposes, even though the original depositor still has access to the full amount of his deposit. Additional money has been created from the original deposit.

5. Why was the Federal Reserve Bank established?

The Federal Reserve was established in 1913 by Congress to counteract banking panics and stabilize the money supply nationally.

6. Explain the three basic functions of the Federal Reserve Bank.

1. Implementing monetary policy 2. Regulating and supervising banks 3. Operating the nation's payments system

SECTION THREE: SPENDING & CREDIT



Missouri Personal Finance Competencies covered in this section include:

- Benefits and costs of alternatives in spending decisions
- Evaluating information about products and services
- Advantages and disadvantages of different payment methods
- Benefits and costs of consumer credit
- Sources of consumer credit (e.g., credit cards, auto loans, student loans, etc.)
- Terms and conditions of credit cards and consumer loans
- Factors that affect creditworthiness
- Purpose and components of credit records
- Consumer protection and information (e.g., identity theft, phishing, scams)
- Ways to avoid or correct credit problems
- Rights and responsibilities of buyers and sellers under consumer protection laws



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SMART ABOUT SPENDING: ACTIVITY 3.1

Benefits and costs of alternatives in spending decisions

A. Purpose and Description

The purpose of this lesson is to learn the basics of living on a budget and establishing and maintaining credit.

B. Objectives

At the end of this lesson, students will be able to:

1. Track their expenses and live within their means
2. Read a credit card statement
3. Take the appropriate steps if they find themselves in trouble financially

C. Required Resources

1. One copy of *Worksheet 3.1.1* (Page 56) for each student
2. One copy of *Worksheet 3.1.2* (Page 57) for each student
3. One copy of *Quiz 3.1.3* (Page 58) for each student
4. Computer lab with Internet access

D. Required Class Time

Four (60 minute) class periods

E. Smart About Spending Assignment

Tab 3, Pages 1-2

F. Procedure

(Day 1)

1. Ask students to read their *Smart About Spending* expansion portfolio, Tab 3, Pages 1-2.
2. Assign each student an annual salary.
3. Ask students to determine their monthly income, both gross and net amounts.

4. Distribute *Worksheet 3.1.1*, showing high, middle, and low monthly expenses (e.g., rent/house payment, utilities, cell phone, Internet, cable, car payment, entertainment, credit card payments, etc.).
5. Ask students to create a monthly budget using *Worksheet 3.1.2* with the assigned salary and choosing from the high, middle or low monthly expenses.
6. As a class, discuss who was able to live within their means.
7. Go to the computer lab.
8. Play the *Show Me the Future* game (<http://showmethethefuture.org/game/index.cfm>).

(Day 2)

9. Provide a sample of a credit card statement (<http://www.aie.org/managing-your-money/credit-cards/reading-a-credit-card-statement.cfm>).
10. Using the sample credit card statement, discuss where to find the following:
 - a. Account Number
 - b. Credit Limit
 - c. Balance
 - d. Available Credit
 - e. Minimum Payment Due
 - f. Due Date
 - g. Activity
 - h. Interest Rate
11. Have students research what to do if their credit card is lost or stolen.

SMART ABOUT SPENDING: ACTIVITY 3.1



(Day 3)

12. Discuss steps to take in case of financial trouble. Please use the following talking points, and ask students to take notes:
 - a. Stop making new charges and pay with cash
 - b. Set priorities and find ways to increase income and cut expenses
 - c. Pay more than the minimum balance if possible
 - d. Transfer balances to a lower interest rate credit card
 - e. Contact your lender and try to negotiate a lower interest rate
13. Discuss how to choose and contact a reputable debt counseling service.
(<http://www.cccsstl.org/creditchannel/choosingAnAgency.asp>)

(Day 4)

G. Assessment

1. Review the previous worksheets.
2. Distribute *Quiz 3.1.3* to each student.
3. All students to complete *Quiz 3.1.3* with the completed worksheets and notes from *Activity 3.1*.
4. Collect and grade.
5. File the quiz, notes and worksheets behind Tab 3 in the *Smart About Spending* expansion portfolio.

H. Notes to Instructor

1. If your school participates in Missouri Connections (<http://missouriconnections.org/>), you can use the *Reality Check* feature instead of *Show Me the Future*.
2. Adventures in Education (<http://www.aie.org/managing-your-money/credit-cards/reading-a-credit-card-statement.cfm>) has a mouse-over feature that shows the different parts of a credit card statement.



SMART ABOUT SPENDING: WORKSHEET 3.1.1

Use the cost below to complete your monthly budget on Worksheet 3.1.2

Housing

Low	1-Bedroom Apartment	\$485
Middle	2-Bedroom Apartment	\$600
High	House	\$975

Utilities

	Low	Middle	High
Electricity	\$80	\$100	\$125
Heating	\$80	\$100	\$125
Phone (land line)	\$30	\$38	\$50
Cable	\$45	\$56	\$70
Internet	\$35	\$44	\$55
Cell phone	\$50	\$63	\$79

Food

Low	Eat at home	\$250
Middle	Combo	\$350
High	Dine out	\$455

Transportation

Low	Public transit	\$35
Middle	Small car	\$490
High	Truck or SUV	\$770

Clothes

Low	Basics	\$50
Middle	A few new things	\$100
High	New wardrobe	\$200

Health Insurance

Low	Buy through employer	\$75
Middle	Buy through a family member	\$100
High	Buy independently	\$135

Entertainment

Low	Make my own entertainment	\$50
Middle	Hang out and go out	\$125
High	Dinner, movie and clubbing	\$200

Personal Care

(Dentist, Haircut, Gym, Massage, Pampering)

Low	\$50
Medium	\$75
High	\$125

Miscellaneous

(Coffee, Travel, Pets, Dates, Flat screen TV with surround sound)

Low	\$100
Medium	\$250
High	\$500

Student Loans

Low	Certificate/Associates Degree	\$80
Middle	Bachelors	\$230
High	Graduate	\$470

Savings

Low	5 percent
Middle	10 percent
High	20 percent

SMART ABOUT SPENDING: WORKSHEET 3.1.2



NAME: _____ DATE: _____

Income	Monthly	Annually
Savings, Family Contribution, and Gifts		
Income		
Grants		
Scholarships		
Loans		
Miscellaneous Financial Aid		
Total Income		

Expenses	Monthly	Annually
Housing		
Utilities		
Food		
Transportation		
Clothes		
Health Insurance		
Entertainment		
Personal Care		
Miscellaneous		
Student Loans		
Savings		
Total Expenses		

TOTAL	Monthly	Annually
TOTAL Income		
– TOTAL Expenses		
= Remaining Funds		



SMART ABOUT SPENDING: QUIZ 3.1.3

NAME: _____ DATE: _____

Look at the credit card statement on Page 59 to answer questions 1-7.

1. Who is the owner of this account?

2. What is their credit limit? \$ _____
3. What is their balance? \$ _____
4. What is their minimum payment amount?
\$ _____
5. When was the minimum payment due?

6. What is the interest rate on purchases?
_____ percent
7. What is their available credit? \$ _____

8. List three things to start doing to get out of financial trouble.

1. _____
2. _____
3. _____

9. True or False? There is a “quick fix” to resolve financial problems.

10. Explain how to choose and contact a reputable debt counseling service.

11. When completing the budget from *Worksheet 3.1.2*, what lessons did you learn about Income and Expenses?

Payment Due Date	New Balance	Past Due Amount	Minimum Payment
11/18/11	\$162.24	\$0.00	\$25.00

\$

Make your check payable to:
Chase Card Services.
Please write amount enclosed.
New address or e-mail? Print on back.

IDA STUDENT
101 MAIN STREET
MISSOURI CITY, MO 77459
(555) 555-1212



CARDMEMBER SERVICE
PO BOX 94014
PALATINE IL 60094-4014

Manage your account online:
www.chase.com/disney

Customer Service
1-800-300-8575

Additional contact
information on back

ACCOUNT SUMMARY

Previous Balance	\$3,142.04
Payment, Credits	-\$4,497.25
Purchases	+\$1,517.45
Cash Advances	\$0.00
Balance Transfers	\$0.00
Fees Charged	\$0.00
Interest Charged	\$0.00
New Balance	\$162.24
Opening/Closing Date	09/22/11 - 10/21/11
Total Credit Line	\$12,000
Available Credit	\$11,837
Cash Access Line	\$2,400
Available for Cash	\$2,400

PAYMENT INFORMATION

New Balance	\$162.24
Payment Due Date	11/18/11
Minimum Payment Due	\$25.00

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a late fee of up to \$35.00 and your APR's will be subject to increase to a maximum Penalty APR of 27.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	7 months	\$169

If you would like information about credit counseling services, call 1-866-797-2885.

INTEREST CHARGES

Your **Annual Percentage Rate (APR)** is the annual interest rate on your account.

Balance Type	Annual Percentage Rate (APR)	Balance Subject To Interest Rate	Interest Charges
PURCHASES			
Purchases	13.24% (v)	-0-	-0-
CASH ADVANCES			
Cash advances	19.24% (v)	-0-	-0-
BALANCE TRANSFERS			
Balance transfers	13.24% (v)	-0-	-0-
PROMOTIONS/OTHER			
Qualified promo trans	0.00%	-0-	-0-

(v) = Variable Rate

30 Days in Billing Period

ACCOUNT ACTIVITY

Date of Transaction	Merchant Name or Transaction Description	\$ Amount
PAYMENTS AND OTHER CREDITS		
09/22	Payment - Thank You	-1,800.00
10/04	Payment - Thank You	-1,350.03
10/18	Payment - Thank You	-1,347.22
PURCHASES		
10/01	NFI*WWW.NETFLIX.COM/CC NETFLIX.COM CA	7.99
10/06	THE FLYING COW SHIRT CO. Columbia MO	1,274.24
10/07	BUYCOSTUMES.COM 800-459-2969 WI	71.99
10/10	APL*APPLE ITUNES STORE 866-712-7753 CA	.99
10/19	HY VEE 1082 COLUMBIA MO	61.85
10/19	HAUTE SALON LLC JEFFERSON CIT MO	96.40
10/20	Amazon Video On Demand 866-216-1072 WA	3.99



SMART ABOUT SPENDING: ANSWER KEY 3.1.3

NAME: _____ DATE: _____

Look at the credit card statement on Page 59 to answer questions 1-7.

- | | |
|--|--|
| 1. Who is the owner of this account?
<u>Ida Student</u> | 5. When was the minimum payment due?
<u>11/18/2011</u> |
| 2. What is their credit limit? <u>\$12,000</u> | 6. What is the interest rate on purchases?
<u>13.24 percent</u> |
| 3. What is their balance? <u>\$162.23</u> | 7. What is their available credit? <u>\$11,837</u> |
| 4. What is their minimum payment amount?
<u>\$25</u> | |
-

8. List three things to start doing to get out of financial trouble.

- 1. Stop making new charges and pay with cash*
- 2. Set priorities and find ways to increase income and cut expenses*
- 3. Pay more than the minimum balance if possible*
- 4. Transfer balances to a lower interest rate credit card*
- 5. Contact your lender and try to negotiate a lower interest rate*

9. True or False? There is a “quick fix” to resolve financial problems. *FALSE*

10. Explain how to choose and contact a reputable debt counseling service.

Answers should include but are not limited to the following:

- 1. Look for a non-profit debt counseling service*
- 2. Check with the Better Business Bureau or the Missouri Attorney General's Office*
- 3. Check with your employer or credit union*
- 4. Verify membership status with national organizations*
- 5. Avoid agencies that charge large fees*
- 6. Avoid agencies that claim to be able to repair your credit quickly*

11. When completing the budget from *Worksheet 3.1.2*, what lessons did you learn about income and expenses?

Look for student to state these answers: “live within my means” and “cannot have more expenses than my income.”

SMART ABOUT SPENDING: ACTIVITY 3.2



Terms and conditions of credit cards and consumer loans

A. Purpose and Description

The purpose of this lesson is to teach students the relevance of credit cards.

B. Objectives

At the end of this lesson, students will be able to:

1. State the purpose of a credit card
2. Know how to apply for one
3. Find the card that is best suited for them

C. Required Resources

1. One copy of *Worksheet 3.2.1* (Page 62) for each student
2. One copy of *Essay 3.2.2* (Page 63) for each student
3. Computer lab with Internet access

D. Required Class Time

Two (60 minute) class periods

E. Smart About Spending Assignment

Tab 3, Page 3

F. Procedure

(Day 1)

1. Ask students to read their *Smart About Spending* expansion portfolio, Tab 3, Page 3.
2. Break the class into small groups.
3. Have each group write down three pros and cons of having a credit card. Ask the groups to share their pros and cons list with the rest of the class.
4. Go to the computer lab.
5. Ask students to visit **<http://www.creditcards.org/advice>**.

6. Instruct students to choose an article and write a short report.

(Day 2)

7. Distribute *Worksheet 3.2.1*.
8. Go to the computer lab.
9. Ask students to visit **<http://www.creditcards.org>**.
10. Using *Worksheet 3.2.1*, have each student select their top three credit cards.

G. Assessment

1. Distribute *Essay 3.2.2* to each student.
2. Collect and grade *Essay 3.2.2*.
3. File worksheet, report and essay behind Tab 3 in the *Smart About Spending* expansion portfolio.

H. Notes to Instructor

1. Intro-Purchases: Some credit cards may give you a better APR for a certain amount of time or with your first purchase. After the time has expired or you have made your first purchase, the APR may raise to a higher amount.
2. Intro-Balances: Some companies may offer a lower or 0 percent interest on any credit card balance you transfer from a different account. After the time determined has elapsed, the APR will raise.



SMART ABOUT SPENDING: WORKSHEET 3.2.1

NAME: _____ DATE: _____

1. Name of Card:

Intro-Purchases (Circle One)	Intro-Balance Transfer (Circle One)	Regular APR
Yes or No	Yes or No	%
Credit Needed (Circle One)	Annual Fee	Rewards Expire? (Circle One)
Excellent, Good, Fair, Bad/No	\$	Yes or No

Other Perks:

2. Name of Card:

Intro-Purchases (Circle One)	Intro-Balance Transfer (Circle One)	Regular APR
Yes or No	Yes or No	%
Credit Needed (Circle One)	Annual Fee	Rewards Expire? (Circle One)
Excellent, Good, Fair, Bad/No	\$	Yes or No

Other Perks:

3. Name of Card:

Intro-Purchases (Circle One)	Intro-Balance Transfer (Circle One)	Regular APR
Yes or No	Yes or No	%
Credit Needed (Circle One)	Annual Fee	Rewards Expire? (Circle One)
Excellent, Good, Fair, Bad/No	\$	Yes or No

Other Perks:

SMART ABOUT SPENDING: ESSAY 3.2.2



NAME: _____ DATE: _____

Essay: If you had to pick just one, which of the three cards you investigated would you apply for. Why is it best suited for you? How would you apply for the card?

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



SMART ABOUT SPENDING: ACTIVITY 3.3

Sources of consumer credit – student loans

A. Purpose and Description

The purpose of this lesson is to help students understand the various ways in which they can fund their education beyond high school.

B. Objectives

At the end of this lesson, students will:

1. Know how to apply for federal and state aid grant programs and student loans (Free Application for Federal Student Aid)
2. Understand the difference between loans and gift aid (grants and scholarships)
3. Be familiar with state assistance programs and the various eligibility requirements
4. Understand the difference between subsidized and unsubsidized loans
5. Know how to reject loan funds
6. Understand how student loans can affect one's credit and potential "buying power"

C. Required Resources

1. One copy of *Worksheet 3.3.1* (Page 66) for each student
2. One copy of *Worksheet 3.3.2* (Page 67) for each student
3. One copy of *Assessment 3.3.3* (Page 68) for each student
4. One copy of *The Source* for each student (www.dhe.mo.gov/files/the_source.pdf)
5. One copy of *Online MDHE* for each student (www.dhe.mo.gov/files/OnlineMDHE_brochure.pdf)
6. One copy of *Planning for Financial Success* for each student (www.dhe.mo.gov/files/PlanningFFS_calendar.pdf)

7. One copy of *Do You Need Money for College: Federal Student Aid at a Glance* for each student (<http://studentaid.ed.gov/PORTALSWebApp/students/english/publications.jsp>)

8. Computer lab with Internet access

D. Required Class Time

Four (60 minute) class periods

E. Smart About Spending Assignment

Tab 3, Page 4

F. Procedure

(Day 1)

1. Ask students to read their *Smart About Spending* expansion portfolio, Tab 3, Page 4.
2. Have each student complete *Worksheet 3.3.1* by investigating what school they are interested in attending.
 - a. Go to the computer lab.
 - b. Have students pick four postsecondary institutions to investigate. Students may use <http://higher.ed.mo.gov/ProgramInventory/search.jsp> if they need guidance.
 - c. Look up program/institution costs.

(Day 2)

3. Discuss with the class the difference between a loan and gift aid.
4. Distribute *Planning for Financial Success*, and read over Pages 44-45 as a class.
5. Pass out *Worksheet 3.3.2* to record today's findings in the "Federal Aid" and "Institutional Aid" sections.

SMART ABOUT SPENDING: ACTIVITY 3.3



6. Distribute *Do You Need Money for College*, and discuss what federal programs students may qualify for.
7. Go to the computer lab.
8. Identify sources of institutional aid available and approximate amounts.

(Day 3)

9. Have students record today's findings in the "State Aid" section of *Worksheet 3.3.2*.
10. Distribute *The Source* and *Online MDHE*. Have students read over both publications.
11. Go to the computer lab.
12. Visit the MDHE's website (<http://dhe.mo.gov/ppc/grants/>).
13. Have students read over the "Missouri Grants & Scholarships" section. Advise students to write down the programs and amounts they may be eligible for during the current academic year.
14. Have students complete *Worksheet 3.3.2*. Have students double check their math to make sure they calculated the "TOTAL YOU OWE" section correctly.
15. Discuss how the "TOTAL YOU OWE" will need to be paid out of pocket.

(Day 4)

G. Assessment

1. Return *Worksheets 3.3.1* and *3.3.2* to the students.
2. Divide the students into groups and have them compare their findings. What was the most and least expensive school, and why? What financial aid would they potentially receive?

3. As a class, discuss the results of their findings. Were there any surprises? Is education more or less expensive than they imagined?
4. Distribute *Assessment 3.3.3*. Have students complete *Assessment 3.3.3* using the publications as a guide.
5. Review and grade *Assessment 3.3.3*.
6. File all publications, research, worksheets and assessment from *Activity 3.3* behind Tab 3 in the *Smart About Spending* expansion portfolio.

H. Notes to Instructor

1. All postsecondary institutions are required to have a "net price calculator" available on their website. This tool should be used to calculate the actual cost of attending an institution. Instruct students to find this calculator when looking up program/institution costs. Identifying available funding sources for college can be complex. It is of critical importance that students have a basic understanding of available aid and, if they do not, they are able to find the resources they need.
2. MDHE printed publications can be ordered free of charge (<http://www.dhe.mo.gov/publications.html>).
3. Give students the Web address for the FAFSA4caster (www.fafsa4caster.ed.gov). Encourage students and their parents to complete the online form. Explain that this is NOT the actual FAFSA, but a tool for getting an early estimate of their eligibility for possible federal student aid.



SMART ABOUT SPENDING: WORKSHEET 3.3.1

NAME: _____ DATE: _____

Sources of Consumer Credit: Student Loans

Institution(s) I possibly want to attend after high school and their annual costs:

Institution 1 Name	Institution Type	Estimated Expenses	
1.	(Circle One)	Tuition	
	Public	Fees	
	Private	Books and supplies	
	Out-of-State	Housing	
		TOTAL Costs*	\$

Institution 2 Name	Institution Type	Estimated Expenses	
2.	(Circle One)	Tuition	
	Public	Fees	
	Private	Books and supplies	
	Out-of-State	Housing	
		TOTAL Costs*	\$

Institution 3 Name	Institution Type	Estimated Expenses	
3.	(Circle One)	Tuition	
	Public	Fees	
	Private	Books and supplies	
	Out-of-State	Housing	
		TOTAL Costs*	\$

Institution 4 Name	Institution Type	Estimated Expenses	
4.	(Circle One)	Tuition	
	Public	Fees	
	Private	Books and supplies	
	Out-of-State	Housing	
		TOTAL Costs*	\$

* The "TOTAL Costs" will be used on *Worksheet 3.3.2*.

SMART ABOUT SPENDING: WORKSHEET 3.3.2



NAME: _____ DATE: _____

Sources of Consumer Credit: Student Loans

Grants and scholarships I might qualify for and their amounts:

Institution 1 Name	1.
Private/Local Aid	\$
	\$
	\$
Institutional Aid	\$
	\$
	\$
State Aid	\$
	\$
	\$
Federal Aid	\$
	\$
	\$
*TOTAL COSTS	\$
- TOTAL AID	\$
= TOTAL YOU OWE	\$

Institution 2 Name	2.
Private/Local Aid	\$
	\$
	\$
Institutional Aid	\$
	\$
	\$
State Aid	\$
	\$
	\$
Federal Aid	\$
	\$
	\$
*TOTAL COSTS	\$
- TOTAL AID	\$
= TOTAL YOU OWE	\$

Institution 3 Name	3.
Private/Local Aid	\$
	\$
	\$
Institutional Aid	\$
	\$
	\$
State Aid	\$
	\$
	\$
Federal Aid	\$
	\$
	\$
*TOTAL COSTS	\$
- TOTAL AID	\$
= TOTAL YOU OWE	\$

Institution 4 Name	4.
Private/Local Aid	\$
	\$
	\$
Institutional Aid	\$
	\$
	\$
State Aid	\$
	\$
	\$
Federal Aid	\$
	\$
	\$
*TOTAL COSTS	\$
- TOTAL AID	\$
= TOTAL YOU OWE	\$



SMART ABOUT SPENDING: ASSESSMENT 3.3.3

NAME: _____ DATE: _____

1. Name the form that must be completed to apply for federal student aid and some state aid.

2. How often does this form have to be completed?

3. Explain the differences between loans, grants and scholarships.

4. When a financial aid officer says to borrow only what you need, what does that mean?

5. Do you think you will need to take student loans? Explain how student loans can effect your “buying power.”

SMART ABOUT SPENDING: ANSWER KEY 3.3.3



NAME: _____ DATE: _____

1. Name the form that must be completed to apply for federal student aid and some state aid.

Free Application for Federal Student Aid (FAFSA)

2. How often does this form have to be completed?

Must be completed annually.

3. Explain the differences between loans, grants, and scholarships.

Loans must be repaid, with interest, and everyone is eligible to receive them. Grants and scholarships are “gifts” that do not have to be repaid. Grants are typically awarded based on financial need. Scholarships are generally awarded based on academic performance and/or extracurricular participation (i.e. sports, music, community service, etc.).

4. When a financial aid officer says to borrow only what you need, what does that mean?

Students have the right to reject a portion, or all of the loan amounts presented in their financial aid award letter (Page 46, Planning for Financial Success).

5. Do you think you will need to take student loans? Explain how student loans can effect your “buying power.”

Since student loans must be repaid, taking on too much debt while in school can lead to very high repayment amounts later. This limits money available to spend on other necessities and wants, or to save. If you fail to repay your loans (default), your income and credit history will be negatively impacted and your loan balance will increase significantly due to collection costs.

SECTION FOUR: SAVING & INVESTING



Missouri Personal Finance Competencies covered in this section include:

- Consumer choices for saving and investing
- Relationship between saving and investing
- Reasons for saving and investing (e.g., time value of money)
- Risk, return, liquidity, manageability, and tax aspects of investment alternatives
- Buying and selling investments
- Factors affecting the rate of return on investments (e.g., Rule of 72, simple versus compound interest, etc.)
- Sources of investment information
- Agencies that regulate financial markets to protect investors
- Selecting professional advisors and their services



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SMART ABOUT SPENDING: ACTIVITY 4.1

Consumer choices for saving and investing; Relationship between saving and investing; Reasons for saving and investing (e.g., time value of money)

A. Purpose and Description

The purpose of this lesson is to teach the importance of saving for a “rainy day.”

B. Objectives

At the end of this lesson, students will be able to:

1. Identify various methods of saving (e.g., savings account or money market)
2. Identify various methods of investing (e.g., mutual funds, stock market, bonds, etc.)

C. Required Resources

1. One copy of *Worksheet 4.1.1* (Page 75) for each student
2. Computer lab with Internet access

D. Required Class Time

Two (60 minute) class periods

E. Smart About Spending Assignment

Tab 4, Page 1

F. Procedure

(Day 1)

1. Ask students to read their *Smart About Spending* expansion portfolio, Tab 4, Page 1.
2. Hand out *Worksheet 4.1.1*, and ask students to fill it out as you speak.
3. Ask students if they have a savings account. Are they familiar with their interest rate?
4. Have students take notes as you discuss the following:
 - a. How savings can be categorized in four ways:
 - i. Savings from a paycheck deposited directly to a savings account
 - ii. Savings as a fixed expenditure
 - iii. Savings as a variable expenditure
 - iv. Savings as what is left over after all other expenditures are paid.
 - b. Ask students what the benefits are of paying yourself first. Answer: If you rely on either of the last two methods of saving, you might not save at all. Therefore, determining how much you will save each month and working it into your budget will ensure that your savings will grow.
 - c. Discuss the advantages of having a savings account:
 - i. Readily accessible source of emergency cash
 - ii. Temporary holding place for funds in excess of those needed for daily living expenses
 - iii. Process for opening a savings account is similar to opening a checking account
 - iv. Freedom to make as many deposits or withdrawals as you want, as long as your minimum balance is maintained
 - v. Transactions can usually be made through an ATM.

SMART ABOUT SPENDING: ACTIVITY 4.1



- d. Ask students to explain the relationship between saving and investing.
- You will earn interest on money you deposit in a savings account; however, the interest rate is usually very low. Longer-term savings instruments usually pay a higher rate of return.
 - Money market accounts pay a somewhat higher rate of return than savings accounts. They offer limited check-writing privileges. Money market accounts are offered by banks, savings and loans, credit unions, stock brokerage firms, financial services companies, and mutual funds.
 - To make your money work for you requires investing long term. Determine what your goals are for investing (e.g., down payment on a home, early retirement, etc.).
- e. What do you want to invest in? Mutual funds, stock market, bonds?
- A mutual fund is an investment company that combines the funds of investors who have purchased shares of ownership in the investment company, and then invests that money in a diversified portfolio of stocks and bonds issued by other corporations and governments. Investing in a mutual fund reduces the risk you face when selecting individual stock and bond investments. Mutual funds also make it easy and convenient for investors to open an account and continue investing. This is the most common form of investment in the U.S.
 - Stocks represent potential income for investors. The owner of a stock is called a shareholder or stockholder. Stockholders own a piece of the future profits (or losses) of the company in which they have invested. Common stockholders may vote to elect the company's board of directors.
 - A bond is an interest-bearing, negotiable certificate of long-term debt issued by a corporation, a municipality or the U.S. federal government. Bonds are basically "IOUs." The initial purchases of the bond lends the issuer a certain amount of money (principal) and, in return, the issuer will pay interest over the life of the bond, and repay the investor's principal at some point in the future (maturity date).
 - Aggressive investors might invest in limited real estate partnerships, undeveloped land, precious metals, gems, commodity futures, stock-index futures, and collectibles.
 - While many (if not most) investments fall into one of two categories—equity and debt—better known as stocks and bonds, there are numerous alternative vehicles, which represent the most complicated types of securities and investing strategies.



SMART ABOUT SPENDING: ACTIVITY 4.1

- vi. The good news is that you probably don't need to worry about alternative investments at the start of your investing career. They are generally high-risk/high-reward securities that are much more speculative than plain old stocks and bonds. Yes, there is the opportunity for big profits, but they require some specialized knowledge. So, if you don't know what you are doing, you could get yourself into a lot of trouble. Experts and professionals generally agree that new investors should focus on building a financial foundation before speculating. (<http://www.investopedia.com/university/beginner/beginner5.asp>).

5. Research interest rates for savings accounts and money markets via the Internet or advertisements.
6. Research mutual funds and stocks via the Internet or newspaper.

(Day 2)

7. Have representatives from two different banks come and speak to the class.
8. Ask guest speakers to talk about their current savings accounts and what related products they have to offer.
9. As your guests speak, have the class complete *Worksheet 4.1.1*. Provide opportunities for students to ask questions.

G. Assessment

1. Have students write a reflection about which bank they would select to service their savings account. Each reflection should include detailed information regarding services provided to account holders.
2. File *Worksheet 4.1.1* and the reflection behind Tab 4 in the *Smart About Spending* expansion portfolio.

H. Note to Instructor

During the next class period, have a brief discussion about *Worksheet 4.1.1*. What kinds of information were the students able to find (e.g., names of mutual funds and stocks, price, change, world market vs. U.S. market, etc.)? Inquire about the types of investment funds they favored most. What kind of bonds were they able to identify, and what was the value?

SMART ABOUT SPENDING: WORKSHEET 4.1.1



NAME: _____ DATE: _____

1. What are the four ways to save?

1. _____

2. _____

3. _____

4. _____

2. What are the benefits of paying yourself first?

3. What advantages does a savings account offer?

4. Name three avenues for investing:

1. _____

2. _____

3. _____

5. How much is the current interest rate on savings accounts? _____ percent

6. How much is the current interest rate on money markets? _____ percent

7. What is a mutual fund?



SMART ABOUT SPENDING: WORKSHEET 4.1.1

8. Name three mutual funds:

1. _____

2. _____

3. _____

9. What is the difference between mutual funds and stocks?

10. If you had \$10,000 to invest, how would you invest it. Why did you choose this investment option?

11. What is diversification?

12. Notes from guest speakers:

SMART ABOUT SPENDING: ANSWER KEY 4.1.1



NAME: _____ DATE: _____

1. What are the four ways to save?

1. Savings from a paycheck and deposited directly to a savings account
2. Savings as a fixed expenditure
3. Savings as a variable expenditure
4. Savings as what is left over after all other expenditures are paid

2. What are the benefits of paying yourself first?

If you rely on either of the last two methods of saving, you might not save at all. Therefore, determining how much you will save each month and working it into your budget will ensure that you pay yourself first and that your savings will grow.

3. What advantages does a savings account offer?

- Readily accessible source of emergency cash
- Temporary holding place for funds in excess of those needed for daily living expenses
- You may make as many deposits or withdrawals as you want as long as your minimum balance is maintained
- Transactions can usually be made through an ATM

4. Name three avenues for investing:

1. Mutual funds
2. Stock Market
3. Bonds

5. How much is the current interest rate on savings accounts? _____ percent
(Students should get the answer from their guest speakers or individual research.)

6. How much is the current interest rate on money markets? _____ percent
(Students should get the answer from their guest speakers or individual research.)

7. What is a mutual fund?
(Students should get the answer from their guest speakers or individual research.)



SMART ABOUT SPENDING: ANSWER KEY 4.1.1

8. Name three mutual funds:

(Students should get the answer from their guest speakers or individual research.)

1. _____

2. _____

3. _____

9. What is the difference between mutual funds and stocks?

A mutual fund is an investment company that combines the funds of investors who have purchased shares of ownership in the investment company, and then invests that money in a diversified portfolio of stocks and bonds issued by other corporations and governments. Stocks are investments that represent ownership in a particular company, also known as shares.

10. If you had \$10,000 to invest, how would you invest it. Why did you choose this investment option?

(Students should get the answer from their guest speakers or individual research.)

11. What is diversification?

When an investor spreads their investment funds among different types of investments and industries.

12. Notes from guest speakers:

SMART ABOUT SPENDING: ACTIVITY 4.2



Agencies that regulate financial markets to protect investors

A. Purpose and Description

The purpose of this lesson is to educate students on agencies that regulate financial markets at both the state and national level.

B. Objectives

At the end of this lesson, students will be able to:

1. Identify the state agencies involved in regulation and protection (and name the current Missouri secretary of state and attorney general)
2. Identify the federal agencies involved in regulation and protection

C. Required Resources

1. One copy of the attorney general's *Student Consumer Guide* for each student (<http://ago.mo.gov/publications/studentguide.pdf>)
2. One copy of *Investment Tips* (www.sos.mo.gov/securities/pubs/investment_tips.asp) for each student
3. Computer lab with Internet access

D. Required Class Time

Two (60 minute) class periods

E. Smart About Spending Assignment

Tab 4, Page 5

F. Procedure

(Day 1)

1. Ask students to read their *Smart About Spending* expansion portfolio, Tab 4, Page 5.
2. Have representatives from the Securities Division of the Missouri Secretary of State's Office and the Consumer Protection Division of the Missouri Attorney General's Office speak to the class.
3. Distribute copies of the *Student Consumer Guide* and *Investment Tips* to each student.

(Day 2)

4. Go to the computer lab.
5. Have students visit www.sipc.org, www.finra.org and www.nasaa.org.

G. Assessment

1. Ask students to write a summary about how information obtained through guest presentations and Internet research will protect them in the future.
2. File the publications and summary behind Tab 4 in the *Smart About Spending* expansion portfolio.

H. Note to Instructor

You may order paper copies of the *Student Consumer Guide* at <https://www.ago.mo.gov/cgi-bin/consumer/orderPublications.cgi>.

WORD BANK



401(k) Plan: An employer-based plan whereby employees set aside money for retirement that is sometimes matched by employers.

Annual Fee: The annual membership fee to have a credit card.

Annual Percentage Rate (APR): The cost of credit for one year expressed as a percentage.

Annuity: A contract or agreement whereby money is set aside for a specified period of time, at the end of which you begin receiving payments at regular intervals.

Appreciation: An increase in the basic value of an investment.

Arbitration: A system for resolving disputes between two or more parties who submit their disagreement to an impartial panel. Decisions of the panel are binding.

Automatic Deductions: Authorized withdrawals from your checking account (e.g., insurance premiums, transfers to savings, or other payments).

Balance: To reconcile the sums of debits and credits in an account.

Bank: A financial institution that accumulates deposits and channels money into lending activities.

Bank Statement: The record of debits, credits, and all other activity on an account.

Bankruptcy: Legally insolvent; not capable of paying bills.

Bear Market: A market characterized by generally falling prices over a period of several months or years.

Benefits: Sick pay, vacation time and other company-provided supplements to income.

Blue Chip: Common stock of a company known nationally for the quality of its products and its profitability.

Bond: Certificate representing a loan of money to a corporation or government for a specific period, in exchange for a promise to repay bondholders the amount borrowed plus interest.

Broker: A representative who handles transactions related to investors' orders to buy and sell securities.

Budget: An organized plan that matches your expected income to your expected expenses.

Bull Market: A market characterized by generally rising prices over a period of several months or years.

Business Failure Risk: The risk that a business will fail and the investment will be worthless, or that a business will be less profitable than expected.

Capital: The wealth of a business or an individual in terms of money or property.

Capital Gain: The profit realized when a security is sold for more than the purchase price.

Capital Loss: The decrease or expense realized when a security is sold for less than the purchase price.

Certified Financial Planner (CFP): An individual who has completed the educational requirements of the International Board of Certified Financial Planners (IBCFP), which covers all facets of financial planning, from taxes to investments.



WORD BANK

Commodity Futures Trading Commission (CFTC): The federal regulatory agency that monitors the futures and options market.

Collateral: Savings, bonds, insurance policies, jewelry, property or other items that are pledged to pay off a loan or other debt if payments are not made according to the contract; also called security.

Commission: A broker's or an adviser's fee charged for buying or selling securities for an investor.

Commodity: An article of commerce or a product that can be used in commerce, such as agricultural products, metals, petroleum, foreign currencies, financial instruments and indexes.

Common Stock: The most basic form of corporation ownership. Owners of common stock have a claim on the assets of a company after those of preferred stockholders and bondholders.

Compound Interest: Interest earned on interest that is added to the principal.

Convertible Bond: A bond that an owner can exchange for stock before maturity.

Consumer Financial Protection Bureau (CFPB): The central mission of the CFPB is to make markets for consumer financial products and services work better for Americans, including applying for a mortgage, choosing a credit card, and more.

Co-signer: Someone who signs a loan with the borrower and promises to assume the responsibility of repaying the debt in the event that the borrower does not repay it.

Credit Limit: The maximum amount of money you are authorized to borrow.

Credit Report: A record of an individual's personal credit history, issued by a credit reporting agency.

Coupon Rate: Fixed annual interest rate quoted when a bond is issued.

Credit Reporting Agency: A for-profit company that accumulates, stores and distributes credit information (i.e., Equifax, Experian, TransUnion).

Depreciation: Loss in value of a consumer good during its lifetime; often associated with appliances and vehicles.

Discount: Sale of a bond at a price less than face value.

Diversification: Spreading investment funds among different types of investments and industries.

Dividend: Payment received by stockholders from the earnings of a corporation.

Dollar Cost Averaging: Investing the same fixed dollar amount in the same investment at regular intervals over a long period of time.

Dow Jones Industrial Average: Price-weighted average of 30 actively traded stocks.

Exchanges: Marketplaces for transactions such as the New York Stock Exchange, the American Stock Exchange, and the Chicago Board of Trade.

WORD BANK



Face Value: The amount a bond is worth when it matures.

Federal Deposit Insurance Corporation (FDIC): An agency of the federal government created to guarantee bank deposits.

Fee: A charge for professional services.

Financial Planner: Person who advises others about financial issues.

Financial Industry Regulatory Authority (FINRA): The securities industry's largest self-regulatory organization.

Fixed Expenses: Costs that remain constant.

Fixed Interest Rate: An interest rate that does not change.

Full-Service Brokers: People who buy and sell securities or commodities to investors and offer information and advice.

Futures Contract: A legal commitment to buy or sell a commodity at a specific future date and price.

Grace Period: The amount of time you have to pay your credit card balance or loan without paying interest.

Gross Income: All taxable income received, including wages, tips, salaries, interest, dividends, unemployment compensation, alimony and others.

Hedging: The process of protecting an investment against price increases.

Income: Money that comes in from property, business, work, and gifts.

Inflation: A general rise in prices of goods and services. This reduces the purchasing power of money.

Inflation Risk: The risk that the financial return on an investment will lose purchasing power due to a general rise in prices of goods and services.

Insider Trading: The illegal use of investment information not generally known to the public.

Interest: 1) Fee for borrowing money; 2) Funds received by placing your money in a savings account, money market, CD, etc.

Interest Rate Risk: The risk that the value of a long-term, fixed return investment will decrease due to a rise in interest rates.

Individual Retirement Account (IRA): A tax-deferred savings account.

Junk Bonds: High-risk bonds that are issued by corporations of little financial strength. Interest rate is high, but default rate is also high.

Line of Credit: A pre-established amount that can be borrowed on demand.

Liquidity: The ease with which an investment can be converted into cash.

Load Fund: A mutual fund purchased directly by the public that charges a sales commission when bought.

Loan: Borrowed money that must be repaid with interest.



WORD BANK

Margin: A brokerage account allowing customers to buy securities with money borrowed from the broker.

Market Price: The price the seller will accept and the buyer will pay.

Market Risk: The risk that the price of stocks, real estate, or other investments will go down due to business cycles or other causes.

Mutual Fund: A company that invests the pooled money of its shareholders in various types of investments.

North American Securities Administrators Association (NASAA): An organization of securities administrators charged with enforcing securities laws and protecting investors from fraudulent investments.

National Association of Securities Dealers Automated Quotations (NASDAQ): The world's largest screen-based stock market built totally out of telecommunications networks and computers.

Needs: The things necessary for survival—typically food, clothing and shelter.

No-Load Fund: A mutual fund purchased directly by the public; does not have a charge for buying.

Opportunity Cost: Each time you choose to expend a resource on something, you give up the opportunity to expend that same resource on something else. The opportunity cost is what you give up in order to obtain something.

Option: The right to buy or sell property that is granted in exchange for an agreed upon sum. If the right is not exercised after a specified period, the option expires and the option buyer forfeits the money.

Ponzi Scheme: An illegal investment scam named for its inventor, Charles Ponzi, who became notorious for using the technique in the 1920s.

Portfolio: The total investments held by an individual.

Preferred Stock: Ownership in a corporation that has a claim on assets and earnings of a company before those of common stockholders, but after bondholders.

Prospectus: A document describing an investment offered for sale.

Pyramid Scheme: Fraudulent scheme where an investor buys the right to be a sales representative for a “product.” Those in the scheme early may profit; those joining late will lose.

Rate of Return: A combination of yield (dividends or interest) and appreciation (increase in basic value of the investment).

Redemption Fee: A charge levied by the mutual fund when shares are sold.

Return: The total income from an investment; includes income plus capital gains or minus capital losses.

Risk: In an investment, the uncertainty that you will get an expected return.

Risk Tolerance: A person's capacity to endure market price swings in an investment.

WORD BANK



Rule of 72: A mathematical tool used to determine the length of time needed to double an investment at a given interest rate. The formula is as follows: Divide the number 72 by the interest rate.

Securities: A broad range of investment instruments, including stocks, bonds and mutual funds.

Securities and Exchange Commission (SEC): A federal agency established to license brokerage firms and regulate the securities industry.

Security Investors Protection Corporation (SIPC): A non-profit corporation created by Congress. Insures investors in SIPC-insured firms from financial loss due to financial failure of the brokerage firm. Insures up to \$500,000 per customer.

Stock: An investment that represents ownership in a company, also known as a share.

Stock Split: Increase in a corporation's number of outstanding shares of stock without any change in the shareholders' equity or the aggregate market value at the time of the split. In a split, the share price declines.

Tax-Exempt Investments: Investments that are not subject to tax on income earned (e.g., municipal bonds sold by state and local governments).

Time Value of Money: Increase in an amount of money over time as a result of investment earnings.

Wants: The things you desire over and above the things you need.

Warrant: A type of security, usually issued together with a bond or preferred stock. The warrant entitles the holder to buy a proportionate amount of common stock at a specific price.

Yield to Maturity: The total annual rate of return on a bond when it is held to maturity.

Zero Coupon Bonds: Bonds issued for less than face value; they pay no interest income. Return to the investor occurs when the bond is sold or redeemed. Also called deep discount bonds.



RESOURCES

Econedlink

www.econedlink.org

The Council for Economic Education provides a premier source of classroom-tested, Internet-based economic and personal finance lesson materials for K-12 teachers and their students. With over 698 lessons to choose from, teachers can use as many of the lessons as they like and as often as they like. The site includes: lessons, data resources, links, newsletters and interactive tools.

Federal Reserve System

www.federalreserve.gov

The task of the Federal Reserve System is to maintain employment, keep prices stable, and keep interest at a moderate level by regulating monetary policy. Components of the Federal Reserve System also supervise banks, provide financial services, and conduct research of the United States' economy and the economies in the surrounding region.

Federal Reserve Bank of Kansas City

The Money Museum: A billion dollar experience

www.kc.frb.org

www.kc.frb.org/moneymuseum/includes/tourReg.cfm

The Federal Reserve Bank of Kansas City and its branches serve the seven states of the 10th Federal Reserve District: Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico and western Missouri. Teachers can bring economics and personal finance lessons to life for their students with a field trip to the Money Museum at the Federal Reserve Bank of Kansas City. The Money Museum offers real-world illustrations of the economy and the Federal Reserve in action. In addition, educators can choose from a variety of lesson plans (before, during or after their visit) for 5th – 12th grade students.

Federal Reserve Bank of St. Louis

www.stlouisfed.org

The Federal Reserve Bank of St. Louis was established in 1914. The 8th Federal Reserve District is headquartered in St. Louis and has branches in Little Rock, Ark., Louisville, Ky., and Memphis, Tenn. The site includes: lesson plans, whiteboard activities, videos, podcasts, activities and interactive links.

RESOURCES



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www.facebook.com/journeytocollege

www.twitter.com/Journey2College

Developed and maintained by Missouri students who welcome your questions and comments, *Journey to College* provides an avenue to obtain a variety of information geared toward future college students. To ensure that you are prepared for all that college has to offer, click “Like” at www.facebook.com/journeytocollege.

If you prefer to tweet, the MDHE has created a Twitter account to assist students just like you. Receive short updates regarding various scholarship opportunities, federal and state aid deadlines and money management tips by following *Journey to College* at www.twitter.com/Journey2College.

Life

<http://www.lifehappens.org/insurance-101-in-a-flash/>

The videos feature commentary from some of the nation’s top insurance advisors. As the advisors run through their respective presentations, bullet points, photographs, charts and other animated graphics appear on screen to underscore key points being made. In a matter of minutes, these advisors will provide you with the knowledge and confidence you need to make well informed insurance-buying decisions. Videos include: life insurance, disability insurance, long-term care insurance, health insurance, auto insurance, homeowners insurance and insurance fundamentals.

LifeSmarts

<http://lifesmarts.org/>

LifeSmarts is an educational opportunity that develops the consumer and marketplace knowledge and skills of teenagers in a fun way and rewards them for this knowledge. LifeSmarts topics have been chosen to encourage and reward knowledge in the areas that matter most to consumers and workers in today’s marketplace: personal finance; health and safety; the environment; technology; and consumer rights and responsibilities. The site includes: calendars, lessons, quizzes, scavenger hunts, fast facts and additional resources.

Mike English Youtube Channel

<http://www.youtube.com/user/Menglish44?feature=mhum#p/a>

Mike English, president and CEO of the Missouri Council of Economic Education, has video taped Missouri and Kansas personal finance instructors and their lesson plans to help assist other educators.

Mint.com

www.mint.com

At Mint, we believe money is for living. So we make everything simple and streamlined. Sign up takes less than five minutes. Then Mint automatically pulls all your financial information into one place, so you can finally get the entire picture.



RESOURCES

Missouri Connections

www.MissouriConnections.org

Missouri Connections allows you to take career systems assessments, build a portfolio, and create your career and course plan. After clicking on Career Clusters, you can choose an area of interest to you and find out the path you need to take to land a job in this area, the level of education required, and the earning potential.

Missouri Department of Economic Development

www.ded.mo.gov

The Department of Economic Development (DED) works through a variety of programs to ensure the economic vitality of Missouri by creating and retaining jobs and investments.

Missouri Department of Higher Education

www.dhe.mo.gov

The MDHE conducts outreach activities, such as FAFSA Frenzy, to increase awareness among Missourians regarding opportunities for postsecondary education and student financial assistance. Through its financial literacy activities and student loan default prevention initiatives, the MDHE also strives to help students avoid accumulating credit card and other types of debt as well as avoid defaulting on their educational loans.

Missouri Department of Revenue

www.dor.mo.gov

The mission of the Department of Revenue is to facilitate the proper functioning of state and local government by accurately and efficiently collecting and distributing state and local revenues.

Practical Money Skills

www.practicalmoneyskills.com

Practical Money Skills provides educators, parents, and students with free educational resources, including personal finance articles, games, lesson plans, and more. (Note: Lesson plans are in PowerPoint format.)

FIELD TRIP & GUEST SPEAKER SUGGESTIONS



1. Federal Reserve Bank of Kansas City

The Money Museum: A billion dollar experience

(www.kc.frb.org/moneymuseum/includes/tourReg.cfm)

2. Call and speak to a local bank, investment firm, or credit union and discuss the possibility of a tour.

3. United States Mint Virtual Tour

(http://www.usmint.gov/mint_tours/?action=vtShell)

4. Guest speaker

Consider inviting one or more of the following to your classroom:

- certified public accountant
- consumer credit counselor
- county collector (or similar elected officials)
- financial advisor
- financial aid officer
- loan officer
- MDHE certified financial counselor (<https://web.dhe.mo.gov/dhe/forms/speakingevents/speakingevent.faces>)



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www.facebook.com/journeytocollege • www.twitter.com/Journey2College

The Missouri Department of Higher Education (MDHE) administers a variety of federal and state grant, scholarship, and financial literacy programs. For more information about student financial assistance, contact the MDHE at 800-473-6757 or 573-751-3940.

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